2012 annual report

a.s.r.
de nederlandse
verzekerings
maatschappij
voor alle
verzekeringen

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Part I

a.s.r. at a glance

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Striking the right balance

We are a robust and independent insurance company. We believe helping people is the core of insurance, which forms the basis of our mindset and positioning. For us, this means that we take a modest approach that corresponds with our role in society. In view of this and other considerations, we further refined our marketing strategy, our branding and our distribution strategy in the second half of 2012. We are continually seeking to strike the right balance between cost, premium income, return and solvency.

Our stable profit growth and strong solvency ratio in 2012 underline the importance that a.s.r. attaches to continuity and certainty for our customers. At the same time, we have made progress in creating a customer-oriented organization and in cutting costs. Improving our service and increasing efficiency featured strongly in 2012.

In 2012, a.s.r. succeeded in serving its customers better. We have, for instance, restructured and improved our complaints handling procedures. As part of the campaign to put customers interests first, a.s.r. also managed to achieve the highest score among insurers for information offered to customers. Furthermore, the Ardanta, De Amersfoortse, Ditzo and Europeesche Verzekeringen brands all retained their Customer-Oriented Insurance Quality Mark (Dutch acronym: KKV).

We also managed to conclude the giant task of providing compensation for individual unit-linked policy holders. All eligible customers have now been contacted personally. Compensation payments were deposited directly into the policies where appropriate, alternative products were suggested and customers were offered independent advice free of charge.

The figures for 2012 show a mixed picture. All in all, we succeeded in maintaining our solvency at an undiminished high level, yet falling premium income and rising claims do give us cause for concern. In 2012, a.s.r. reported a net result of € 255 million, a 20% increase compared to 2011. a.s.r. will pay € 88 million in dividend to the shareholder. As in 2011, this will be 40% of the net result attributable to the shareholder.

The claims ratio in the Non-Life segment deteriorated in 2012. Targeted controls and further cost savings helped to improve this ratio in the second half of the year, compared to the first half.

In a market characterized by tough competition, we maintained our leading position in occupational disability insurance. Adequate action on prevention and reintegration proved to be trump cards. The health insurance business experienced a considerable increase in the number of customers in the past year.

On closer examination of the a.s.r. divisions in 2012, it is clear that the market for individual life insurance continues to stagnate. For this reason, we have introduced a bank savings product in our asset-building offering, among other alternatives. In the mortgage market, we regained ground in 2012 thanks to the success of the WelThuis mortgage.

Partly as a result of interest rates, which continue to be low, our focus in the Pensions segment in the past year was primarily on retaining existing business and further organizing and streamlining our processes.

In 2012 we have had to make several far-reaching decisions for the organization, which led to a further reduction in the amount of employees. For us, it is vital that the colleagues that leave a.s.r. are counselled to the best of our ability. Our Redundancy Plan provides intensive counsel during the redundancy process and, amongst others, offers the right to priority for internal job openings. Even so, we are fully aware of the impact of job loss for anyone experiencing it. Reduction in the number of FTE's is a necessary part of making our organization more efficient and agile, which, aside from our efforts to offer customers better service, will be our biggest challenge in the time to come.

In the context of efficiency and cost savings, a start was also made this past year with the large-scale renovation of the a.s.r. office at the Archimedeslaan in Utrecht. The challenge is to create a much more sustainable workplace that fully integrates the principles of the New World of Work (NWW). It is the largest renovation project of an office building in the Netherlands, whereby the building remains in use throughout. Renovating our Utrecht office, in a sustainable way, enables us to reduce the number of office locations and to permanently lower our accommodation costs.

Finally, our positioning took shape in the final quarter of 2012, with the launch of a.s.r.'s proposition as 'the Dutch insurance company for all your insurance needs'. We aim to be a socially desirable insurer that helps people by taking action and eliminating waste.

We are a business in transition in a market in transition. We have every confidence that we are on the right track.

Jos Baeten LL.M.
a.s.r. Chief Executive Officer

1 About a.s.r.

Offering people certainty in uncertain situations, is a.s.r.'s reason for being. a.s.r. does this by providing financial continuity in people's lives and enabling customers to take calculated risks in achieving their ambitions. Everyone at a.s.r. works according to the guiding principle that the insurance industry can improve and must improve. a.s.r. is different. Different in terms of business models and in mentality. a.s.r. goes back to the roots of insurance: helping people. The cooperative philosophy, that working together provides certainty to all, is embraced. Insurance is the essence, and providing certainty is a.s.r.'s reason for being. Helping people by taking action.

The legal predecessors of a.s.r. put insurance, as a service, on the map in the Netherlands. a.s.r.'s history dates back to 1720, when sharing risk was the founding principle. It still is for a.s.r. today.

a.s.r. is confident that its right to exist is justified by thinking in terms of customer interests and perception. Products and services need to reflect these principles. Clarity and simplicity combined with efficient business processes and a robust financial position are essential in this regard. Customers can rest assured that their risks are covered by an insurer that operates responsibly and avoids waste. That listens to them and is available across a variety of channels.

All employees are responsible for meeting customers' demands, and customer trust is an important part of this. Trust goes further than the customer alone. It applies equally to the successful cooperation with distribution partners by offering employees an inspiring and interesting working environment, and by giving the shareholder the prospect of attractive returns based on responsible risk.

Customers tell a.s.r. that they want transparent products, clear communication and personal services. Meeting these needs is a.s.r.'s number one priority and this means that activities and targets are assessed against customer interests. New products are presented to customer panels and their feedback is incorporated into the product development process. Ultimately, this is reflected in the appreciation rating that customers give a.s.r. in terms of the Net Promoter Score (NPS).

The focus of a.s.r. is on private individuals and business owners with its three strong brands: a.s.r., Ditzo and De Amersfoortse. These brands have a number of common values that resonate with the a.s.r. organization. Each brand has its own unique role, and it is the interaction between these roles that make them strong.

a.s.r. is the label for private individuals. Its key values are: helping people, taking action and avoiding waste. These values have evolved from the values of its predecessors: the financially sound AMEV, the socially responsible ASR and the no-nonsense approach of Stad Rotterdam. Volume is important in the non-life and health insurance markets. That is why a.s.r. has defined a target group that is as broad as possible, with a focus on the middle segment, where it is already strongly represented. Its positioning in this broad target group sets a.s.r. apart as the Dutch insurance company for all insurance products.

Ditzo is the online provider of non-life and health insurance policies for people who like to manage their insurance online and are more price-conscious.

De Amersfoortse is the brand for business owners, transforming it from an income protection insurer to the insurer for Dutch businesses. In due course, the income protection and health insurance proposition will be expanded to include pensions and non-life business products. De Amersfoortse's products and services are sold only through intermediaries.

Products sold under the Ardanta label will eventually be sold as a.s.r. products.

Europeesche Verzekeringen will continue to be the insurer for the travel and leisure market.

Serving a.s.r.'s customer groups is based on three principles. First is the focus on key products: income protection, non-life and health insurance. This is the foundation. Second, advisors will continue to be the main distribution channel. They stand to benefit if customers can also contact a.s.r. in other ways, and for this reason a.s.r. will be going online with asr.nl for the first time in its 293-year history. Telephone services will be further streamlined and professionalized. Third, standardization will form the principle for servicing private individuals and business owners. This is in the interests of customers, because it will provide them the right service at the right price. Large corporate clients that are comfortable with this arrangement, are also welcome to avail themselves of a.s.r.'s services.

The focus is on working together with advisors who strike the right chord with the various customer groups. Account managers play a key role in this. Each advisor has an account manager, who will either visit in person or be office-based, depending on the type of relationship they have with a.s.r. Account managers work for both the a.s.r. and De Amersfoortse brands. They, for their part, are supported by a number of non-life, pension and income protection specialists.

a.s.r. has embraced the hybrid distribution model. This aims to cater to the needs of customers who alternate between managing their own affairs and needing advice. This means that customers can always contact a.s.r., for instance via the website or by phone. The development of insurance packages also centres around customers. They are based on customers' life events, such as buying a house or their children leaving home.

This puts a personal touch on insurance and lays the foundation for a different approach to pricing.

From 2013 on, income protection insurance will only be sold via De Amersfoortse on the basis of business owner profiles. Business owners will be made a competitive offer when they are accepted for occupational disability insurance. Pensions and non-life products will follow.

Part of a.s.r.'s strategy is to prevent waste by a continuous drive to improve efficiency and lower costs, in part by standardizing processes and products, and by increasing the degree of Straight Through Processing. One aspect of efficiency involves the outsourcing of work to specialist partners. a.s.r. has chosen to introduce outsourcing in controlled stages.

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Part II

Report of the Executive Board

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2.1 Financial results

2.1.1 ASR Nederland N.V.

- Gross premiums written decreased by 3% to € 4,290 million (2011: € 4,437 million)
  - Non-Life segment: 6% increase
  - Life segment: 13% decrease
- Operating expenses decreased 6% to € 585 million (2011: € 621 million)
- Increase in net result to € 255 million (2011: € 212 million)
- Cost-premium ratio insurance business stable at 10.2%
- Non-Life combined ratio at 99.2% (2011: 95.0%)
- DNB solvency including prescribed Ultimate Forward Rate (UFR) at 293%
- DNB solvency on comparable basis stable at 231% (2011: 230%).

Key figures (in millions of euros)	2012	2011
Gross premiums written, Non-Life segment	2,487	2,353
Gross premiums written, Life segment	1,891	2,166
Elimination own pension plan	-88	-82
Total gross premiums written	4,290	4,437
Operating expenses Life and Non-Life segments	-449	-502
Operating expenses Other segment	-136	-119
Total operating expenses	-585	-621
Provision restructuring expenses	-30	-12
Net result Non-Life segment	59	145
Net result Life segment	275	135
Net result Other segment	-79	-68
Net result	255	212
Cost-premium ratio of insurance business	10.2%	10.2%
Total equity (incl. revaluation of real estate)	3,809	3,228
Total equity	2,935	2,365
Return on equity	10%	9%
DNB solvency	293%	-
DNB solvency (exclusive of UFR)	231%	230%
Total number of internal FTE's	4,088	4,264

Notes to key figures

In 2012 the calculation of the cost-premium ratio and the combined ratio improved compared to 2011, and the provision for restructuring expenses is no longer included in the cost-premium ratio. On a comparable basis, the cost-premium ratio over 2011 was 10.2%, equal to the cost-premium ratio over 2012. The cost-premium ratio over 2011 reported earlier was 11.8%.

On a comparable basis, the combined ratio increased by 4.2 percentage points to 99.2% in 2012, which was attributable to the impact of the Resumption of Work (Partially Fit Persons) Regulation (Dutch acronym: WGA) in particular. The combined ratio for 2011 stood at 98.9%.

The return on Equity is calculated each year by dividing the net result attributable to shareholders by the average IFRS Equity attributable to shareholders (excluding the revaluation of real estate).

Developments 2012

The insurance market once again turned out to be a difficult market in 2012 with low consumer confidence. In the non-life market, the increase in claims expenses placed margins under pressure. This resulted in extra diligence when it comes to managing claims and the implementation of premium adjustments. The declining market for life insurance remains an area of focus. The choice for return over premium in this market affects sales volumes.

To remain competitive, it is essential for a.s.r. to focus on efficiency. In recent years, efforts in this respect have resulted in an annual decline in operating expenses. This is a trend that a.s.r. will continue in the years to come. But at the same time, a.s.r. is investing in systems to administer both new and existing products better and faster and a.s.r. is working on transparent products that meet the current wishes of customers more and more.

The economic situation remained uncertain in 2012; the global slowdown in economic growth continued. Under the influence of the persisting euro crisis, European interest rates continued to drop. Although the volatility of the stock and credit markets was high, the sentiment improved during the year and stock markets clearly finished the year at a higher level. Managing interest rate and investment risks continued to be vital. In this market, a.s.r. managed to maintain its solvency at a constant strong level. Under these economic conditions, a.s.r.'s investment policy is primarily focused on managing risks.

Financial results 2012

Gross premiums written

Compared to 2011, the gross premiums written in 2012 decreased by 3% to € 4,290 million (2011: € 4,437 million). In the Non-life segment, the gross premiums written rose from € 2,353 million to € 2,487 million (+6%). This increase can to a large extent be attributed to the introduction of Ditzo's health insurance. The revenue within the Life segment decreased from € 2,166 million to € 1,891 million; a decrease of 13% which can be explained by the decline in regularly written premiums (-9%) and in single premiums (-28%). This is a consequence of the choice for return over premium. In addition, the decision by customers to terminate their individual unit-linked insurance influenced the decline of revenue in the Life segment.

Operating expenses

Operating expenses decreased by € 36 million from € 621 million to € 585 million (-6%) in comparison to 2011. This decline is the result of the continuous focus on efficiency, austerity in operations and eliminating waste. Besides cutting costs, an important step was taken towards making costs more flexible by outsourcing the back office operations of a Life portfolio, agreeing on a Software as a Service (SaaS) contract for the Health business IT-platform and outsourcing a.s.r.'s mainframe. Furthermore, savings were realized by reducing accommodation costs due to the closing of the offices in Rotterdam and Woudsend. This move is part of the policy to accommodate all employees in the renovated a.s.r. office in Utrecht by 2015.

Net Result

The net result in 2012 is € 255 million (2011: € 212 million). The net result of the Non-life segment decreased from € 145 million to € 59 million. On a comparable basis, the combined ratio increased by 4.2 percentage points from 95.0% to 99.2%, primarily due to a higher cost of claims. This is particularly evident in the Occupational Disability portfolio, primarily due to the impact of the WGA regulation. Compared to the first half of 2012, the combined ration improved by 2.0 percentage points, thanks to measures regarding acceptance of policyholders, terms and conditions, and pricing.

In the Life segment, the net result rose from € 135 million to € 275 million in 2012. This was attributable to a higher return on investment on the one hand and a drop in expenses on the other thanks to the finalization of the compensation process for unit-linked policyholders, among other factors.

Despite the one-off release of a provision for tax purposes of € 90 million, the net result of the Other segment grew from € -68 million to € -79 million. The risks of property developments and land banking in the property development portfolio were further scaled back. Aside from this, the drop was also attributable to higher operating expenses and one-off investment income in 2011.

Number of employees

The number of internal FTE's decreased from 4,264 FTE's to 4,088 FTE's in 2012. The largest group of employees who were let go (120) came under the scope of the Redundancy Plan. Another 89 employees left a.s.r. at their own request, 37 employees reached the end of their temporary contracts and 74 employees agreed to consensual termination of their employment contracts. On average, employees stay with a.s.r. for 14.5 years.

Breakdown of employee base	Men	Women
31/12/11	2,714	1,655
31/12/12	2,610	1,607

Investments

In view of developments in the market, such as the euro crisis and the debt crisis, a.s.r. persisted in its investment policy of risk reduction in 2012. This policy was mainly designed to preserve the solvency level; as a result, the solvency position has been robust for years. In line with this risk reduction, reinvestments in the government bond portfolio were made, in German government bonds in particular. To further spread risks, a.s.r. slightly increased its exposure to government bonds issued by emerging countries. a.s.r. had already started to drastically scale back its exposures to government bonds issued by peripheral eurozone countries since 2009; these exposures were virtually brought down to nil in 2012 (remaining exposure: € 1 million). a.s.r. also reduced its exposures to bonds issued by financial institutions in its investment portfolio, by scaling back exposures to senior and subordinated bonds via swaps and sales. This reduction in bonds issued by financial institutions is counteracted by a rise, thanks to massive upgrades and an increase in covered bonds (+48%). Disregarding the increase in covered bonds, the share of bonds issued by financial institutions fell by 7%, dropping to € 4.7 billion. In addition, there were rises in the share of residential mortgages (+24%) and corporate bonds (+19%) in the portfolio.

The value of the fixed-income portfolio was up mainly thanks to lower interest rates. a.s.r. also continued to restructure the interest rate risk in 2012. In doing so, it reduced its sensitivity to interest rate volatility and released the cash that was received as collateral, while preserving the effectiveness of the interest rate hedges. The year under review also saw limited growth in the equity portfolio in accordance with the investment policy thanks to the purchase of equities in the Netherlands and Europe, the United States and emerging markets. The steps that have been taken over the past few years have clearly benefited the robust solvency position and reduced the sensitivity of the balance sheet to market risks.

Real estate management

The mission of a.s.r. Vastgoed Vermogensbeheer, a.s.r.'s real estate management business, is to invest in relatively low-risk real estate in the Netherlands under the adage "investing in eternal real estate".
a.s.r. seeks to increase the flexibility of its real estate portfolio by creating property funds. The ASR Dutch Prime Retail Fund, which was established in 2011, had sold € 380 million worth of participations to third parties (i.e. institutional investors) by the end of 2011. In 2012, all the necessary preparations were made to establish the ASR Dutch Core Residential Fund. All residential properties owned by a.s.r. were transferred to this fund.

a.s.r. Vastgoed Vermogensbeheer was awarded ISAE 3402 Type II certification in 2012 for its Commercial Real Estate and Residential Real Estate divisions. The division Rural Real Estate was awarded the ISAE-2402 Type I certificate. Now that it has these certificates, a.s.r. Vastgoed Vermogensbeheer has demonstrated that, in the period under review, it had adequate procedures in place for its business processes and related risks, risk-mitigating measures and evidence, and that all these procedures were executed and documented promptly, correctly and in full.

Outlook

The Dutch State has been the sole shareholder of a.s.r. since October 2008. In September 2011, all shares in a.s.r. were transferred to Stichting Administratiekantoor Beheer Financiële Instellingen (NL Financial Investments or NLFI), a trust office. a.s.r. has the ambition to become a private company again at some point in time. a.s.r. is large and robust enough to operate as an independent insurer in the Dutch market. The Dutch insurance market is contracting, which is why a.s.r. is constantly looking for consolidation opportunities in the market. The shareholder will decide in this regard.

2.1.2 Non-Life segment

- Net result at € 59 million (2011: € 145 million) due to increase in claims expenses
- Gross premiums written increased by 6% to € 2,487 million (2011: € 2,353 million)
- Operating expenses decreased by 8% to € 226 million (2011: € 245 million)
- New production amounting to € 303 million is 33% higher than in 2011
- Combined ratio increased to 99.2% (2011: 95.0%).

Key figures of Non-Life segment (in millions of euros)	2012	2011
Gross premiums written	2,487	2,353
Operating expenses	-226	-245
Provision restructuring expenses	-18	-6
Profit before tax	72	193
Taxes	-13	-48
Net result for the year	59	145
Net result attributable to minority interests	-	-
Net result attributable to holders of equity instruments	59	145
New production	303	227
Claims ratio	73.4%	68.3%
Commission ratio	16.7%	17.1%
Expense ratio	9.1%	9.6%
Combined ratio	99.2%	95.0%

Notes to key figures of Non-Life segment

The calculation of the ratio's improved in 2012 compared to 2011. The combined ratio over 2011 as reported earlier amounted to 98.9%, and the cost-premium ratio was 11.0%. On a comparable basis, the combined ratio increased by 4.2 percentage points in 2012, to 99.2%, particularly due to the impact of WGA. Exclusive of the impact of WGA regulation, the increase amounts to 2.8 percentage points.

Profile

The Non-Life segment comprises all types of non-life insurance policies that a.s.r. offers to consumers and business owners. These policies insure risks related to motor vehicles, fire, travel and leisure, liability, legal assistance, occupational disability and medical expenses. The policies are offered under the following labels: a.s.r., De Amersfoortse, Europeesche Verzekeringen and Ditzo, both via the intermediary and the direct channels.

Market developments

Competition on pricing in the non-life market continued to be fierce in 2012. The Non-Life business is also suffering the effects of the economic crisis. Customer claims increased in 2012.

The occupational disability insurance market has been highly competitive for a number of years now; new contracts sold mostly involve policy renewals on different conditions. As a result, pricing and margins were weighed down in 2012 as well. During the course of 2012, the first premium increases in the market were seen for individual occupational disability insurance policies and for group illness-related absenteeism insurance and WGA policy excess insurance. The economic crisis led to an increase in the number of bankruptcies and reduced the financial scope of businesses. The overall occupational disability market is contracting slightly as a result. At the same time, insurers are experiencing (sharp) increases in claims in nearly all areas of their occupational disability business, particularly when it comes to WGA policy excess insurance.

The market for traditional non-life insurance (motor, fire, liability, etc.) was also under pressure in 2012. Competition on pricing remains tough, although there were also significant price hikes because of the structural increase in claims. Claims under home content and hazard policies were high in 2012 due to such causes as flooding and more reports of theft.

At Health insurance, early 2012 again revealed great mobility. Nearly one million consumers switched health insurers. Relatively inexpensive online labels such as Ditzo saw the highest level of growth. Plans to transfer the administration of exceptional medical expenses (Dutch acronym: AWBZ) to health insurers were put on hold because of the fall of the Dutch Cabinet. In 2012, steps were taken to increase policy excess and assign more responsibilities to health insurers. Basic coverage is increasingly being stripped down and many customers are raising their policy excess.

In 2012, the crisis caused people to take fewer and shorter holidays to less far away and less luxurious destinations. In addition, they waited longer to replace recreational items and put off new purchases. Similar to 2011, consumers spent more time using their own boats, caravans and other recreational items, which increased the chance of claims.

Financial performance

Gross premiums written

The gross premiums written increased by 6% to € 2,487 million (2011: € 2,353 million). This increase is primarily due to the number of customers that took out health insurance with Ditzo. The consequences of the difficult market conditions are evident in the individual occupational disability segment and in the motor, fire and other non-life segment. For example, car insurance policies show a decrease in revenue due to more stringent acceptance criteria that were implemented during the course of 2012, in order to control the claims expense, and due to a decrease in the number of new cars sold in 2012.

Operating expenses

Operating expenses amounted to at € 226 million (2011: € 245 million). The decline was caused, in part, by a reduction in internal FTE's and the implementation of more efficient business processes. On a comparable basis, the expense ratio was down 0.5 percentage points, dropping from 9.6% in 2011 to 9.1% in 2012. Although the combined ratio rose to 99.2% due to higher claims expenses, it stayed below 100%.

Net result

The net result of the Non-life segment decreased from € 145 million to € 59 million in 2012. This is primarily due to increased claims expenses. For example, the occupational disability insurance segment shows a trend of higher inflow and a later outflow, primarily due to economic conditions. Also, investment returns are lower due to changes in the combination of investments.

Achievement of strategic targets in 2012

a.s.r. attaches great value to treating customers fairly. Major improvements were implemented in the complaints management process, a.s.r.-wide, but in the Non-Life segment in particular. Complaints handling was sped up and customer feedback was used to make structural improvements to the process.

The Occupational Disability Insurance business managed to limit its WGA claims because, based on its expertise, a.s.r. charged more realistic prices than its competitors. Although market share was lost,a.s.r.'s position as market leader became stronger. This confirms that a.s.r.'s products were priced right.

The fact that the Occupational Disability Insurance business is committed to treating customers fairly is demonstrated by its meeting the quality mark requirements of the Dutch Insurance Review Agency (Dutch: Stichting toetsing verzekeraars).

And by a clear improvement in the dashboard rating of individual policies by the Netherlands Authority for the Financial Markets (AFM) from 2.4 to 4.1 on a scale from 1 to 5. A lot of is being invested in the IT platform of the next generation of occupational disability insurance policies, allowing a.s.r. to improve its offering of online services to customers. The Group Occupational Disability Insurance business will migrate to this new platform in 2013; the Individual Occupational Disability Insurance business will follow suit in 2014.

Another area of focus for Non-Life in 2012 was increasing the expertise of our Non-Life account managers and front office staff. Initiatives such as Closed Loop Feedback, which uses customer feedback to respond quickly to complaints, questions and trends, and customer-oriented courses in the Health Insurance business are good examples of how a.s.r. seeks to achieve this.

The new platform for other non-life policies allows a.s.r. to offer more modern and standardized products. The new IT platforms are essential in streamlining our business processes, particularly because they increase the degree of Straight Through Processing.

The successful introduction of Ditzo health insurance has shown a.s.r. that customers are increasingly wanting to take out insurance via the direct channel.

Europeesche Verzekeringen discontinued its direct sales in 2012 and now focuses fully on intermediary distribution. Europeesche Verzekeringen continues to offer online policies, which can be purchased via online intermediaries. Customers rate these services highly, which was illustrated by the fact that they awarded Europeesche Verzekeringen the Travel Feather Award for being the best travel insurance company of 2012.

Outlook for 2013

Because of the weak economy, the non-life market is not expected to show growth in terms of volume in 2013.
We do, however, predict a further shift towards products that can be purchased directly via online platforms.

The occupational disability market is under pressure due to unfavourable economic conditions. a.s.r.'s policy will generally focus on improving returns by being cost efficient, adjusting rates and controlling claims expenses.
De Amersfoortse's integrated product propositions will be broadened, linking them explicitly to health and pension insurance. a.s.r. is also committed to further improvements to its service offering in the areas of prevention and reintegration, which will bring out the full potential of De Amersfoortse's strengths and expertise.

Expectations for the health insurance market are that basic coverage will continue to be stripped down. The Dutch government is also considering introducing an income-related policy excess. Owing, in part, to the economic crisis, more customers will decide to lower their top-up coverage. Health insurers will increasingly take on a directing role and be instrumental in reducing the costs of the health insurance system by way of contracted care.

In the travel and leisure market, the drop in holiday bookings is expected to persist in 2013, which will have a direct effect on travel and leisure insurance. Consumers will keep putting off purchasing or replacing recreational items in 2013.

2.1.3 Life segment

- Net result at € 275 million (2011: € 135 million)
- Gross premiums written decreased by 13% to € 1,891 million (2011: € 2,166 million)
- Operating expenses decreased by 13% to € 223 million (2011: € 257 million)
- New production (APE) decreased 27% to € 87 million (2011: € 121 million).

Key figures of Life segment (in millions of euros)	2012	2011
Regularly written gross premiums	1,552	1,697
Single premiums	339	469
Total gross premiums written	1,891	2,166
Operating expenses	-223	-257
Provision restructuring expenses	-7	-5
Profit before tax	350	169
Taxes	-75	-34
Net result	275	135
Net result attributable to minority interests	-	-
Net result attributable to holders of equity instruments	275	135
Cost-premium ratio	12.0%	11.1%
New production (APE)	87	121

Notes to key figures of Life segment

Total gross premiums written include the premium for the company's own pension plan in the amount of € 88 million (2011: € 82 million).
The calculation method of the cost-premium ratio improved in 2012 compared to 2011. On a comparable basis, the cost-premium ratio increased by 0.9 percentage points in 2012 to 12.0%. The cost-premium ratio over 2011 as reported earlier stood at 12.8%.

Profile

The Life segment comprises all insurance policies that involve asset-building, asset reduction, asset protection, family income protection and funeral expenses for consumers and business owners. These operations are conducted by ASR Levensverzekering N.V. Products are offered under the De Amersfoortse, Ardanta and a.s.r. labels. The vast majority of these policies are distributed via the intermediary channel.

Market developments

The individual life insurance market is contracting. Consumers increasingly opt for bank savings rather than life insurance products to accumulate capital. Because of the ongoing stagnation of the housing market, fewer mortgages with life insurance are being sold.

The persistent economic crisis, low interest rates and the changes in the tax regime are weighing down the pension market. Overall, a.s.r. does not expect to see a recovery of new production in the pension market in the short term. In addition, the increase in life expectancy is putting greater pressure on the mortality margin. In response, the Pensions business adjusted its rates for renewals or new propositions.

Furthermore, the changes in laws and regulations made many pension advisors with relatively small portfolios, decide not to take the required courses as of 1 January 2012. As a result, they are no longer licensed to provide pension advice and to manage the existing pension portfolios. That is why pension advisory and management services will now be provided mostly by specialist consultancies.

There was a decline in the funeral insurance market in 2012. The Dutch market has a high penetration rate and is virtually saturated. More and more consumers are economizing on funeral insurance.

Financial performance

Gross premiums written

Revenue in the Life segment decreased by 13% in 2012, from € 2,166 million to € 1,891 million. Revenue from the Individual Life business is under pressure owing to the contracting market for asset-building by private individuals and a high level of lapses and early surrenders. The compensation process for unit-linked policyholders prompted some customers to convert their existing policies, which led to an increase in new production of the lijfrente opbouwrekening (annuity savings account). Sales of the WelThuis mortgage, in combination with the renewed savings-linked mortgage and a competitive rate for the term life insurance, were successful. The strong decrease in single premiums is due to the preference of return over premium, as a result of which a less competitive premium was utilized.

Low interest rates and the changes in the tax regime put the pension market under pressure. The number of new pension contracts signed in 2012 was limited. Limited recovery is expected for new pension contracts in this market too. Because of historically low interest rates in this market, a.s.r. is hesitant to give guarantees for new pension contracts.

Operating expenses

Operating expenses decreased by € 34 million to € 223 million in 2012 (2011: € 257 million). The cost-premium ratio rose by 0.9 percentage points owing to a drop in premium income that more than offset the decrease in expenses.

Compensation process

All customers with individual unit-linked policies have now been compensated. The last group of the 900,000 policyholders in total received compensation in the first quarter of 2012. This project concerned a total expense of € 894 million up to the end of 2012.

Net result

The net result in 2012 stood at € 275 million (2011: € 135 million). The increase was mainly attributable to higher investment results. The 2011 net result was propelled by the introduction of the ASR Prime Retail Fund and disposal of real estate.

Achievement of strategic targets in 2012

Focus on return over growth continued to be the guiding principle for 2012. In the Individual Life business, this led to fewer new single premium policies being sold and a drop in immediate annuities. Securing a.s.r.'s profitability was a key priority.

In mid-2012, about 300 colleagues embraced the New World of Work (NWW); colleagues from different offices now work from a single location in Utrecht. A number of subprocesses were outsourced, thereby guaranteeing the continuity of a.s.r.'s service provision to customers. This marked an important step towards a further reduction in, and flexibility of, costs.

As in 2011, policy focused on reducing the number of product categories and offering transparent and modern products only. Further efficiencies will be implemented by the new Contact Center, for which Individual Life started a pilot late in 2012. The purpose of the pilot is to find out whether better and more efficient services can be provided to customers and advisors by creating a single Contact Center in which the services of the Life Front Office and the Life Customer Contact Center are integrated. This is in line with the restructuring that is meant to ensure that, in general, the first customer service representative that customers and intermediaries speak to, can answer their questions directly or take adequate action, so that the number of links in the chain are reduced, fewer resources are wasted and the process is sped up. The first results of the pilot were promising.

The sales organization was changed to be able to provide more efficient services at lower costs. At present, services to customers of the Life and Banking divisions are provided by desk account managers who work in close collaboration with the new Contact Center. The team supports about 3,000 Life and Banking advisors. They provide services to all private and corporate customers for a small group of about 750 advisors. Account managers will continue to be responsible for serving the other (larger) intermediaries.

The Pension business focused on retaining existing customers in 2012. This business not only developed a new DC proposition, but also worked on improvements for existing customers. Up-to-date product leaflets are available on the website and all messages are written in plain language. In 90% of cases, customers receive a response within the set deadline; in general, customers are happy about how their complaints are handled.

In 2012, Ardanta used the feedback from customer panels and intermediaries to create more transparent products. The complaints handling process was improved: customers are now informed about how their complaint is addressed. In addition, fees charged for products are fully transparent. At year-end, the rates were gender-neutral and did not include any commission. Acting ahead of the drop in sale of new insurance contracts, the tied-agents network was scaled back by 60%. This network also deals with customers who do not, or no longer, have an intermediary.

Outlook for 2013

The ongoing economic crisis will continue to affect all divisions of the Life segment in 2013. An important development is the introduction of the commission ban as of 1 January 2013, which is expected to impact sales of new insurance contracts.

One of the main priorities of the Individual Life business is to retain its customers in a contracting market and to strengthen its position in the term life insurance market where possible. Early in 2013, a.s.r. announced the acquisition of the entire funeral insurance portfolio from De Facultatieve Groep, which comprises about 70,000 policies representing € 100 million in insured capital. Expectations are that the market for funeral insurance will continue to contract in 2013.

The market for mortgage-linked asset-building products will keep shrinking as a result of a shift to other mortgage types, such as bank savings products, savings-linked mortgages and annuity mortgages.

In 2013, a next generation of relatively low-priced mixed funds (TER 0.35%) will be introduced for customers with Waerdye (HLSc porfolio), AMEV (NIP), De Amersfoortse (DAV), NGL and, possibly later, Falcon/Interlloyd policies. The structural reduction in future fees for existing customers is considered the most important criterion in this respect.
The Pension business will also focus on retaining customers. The pension insurance cost compensation process will be finalized in 2013, meaning that all customers will have been informed and that their compensation will have been calculated.

2.1.4 Other segment

Key figures of Other segment, inclusive of eliminations (in millions of euros)	2012	2011
Operating expenses	-136	-119
Provision restructuring expenses	-5	-1
Result before tax	-218	-110
Taxes	132	35
Net results for the year	-86	-75
Net result attributable to minority interests	7	7
Net result attributable to holders of equity instruments	-79	-68

Profile

The Other segment comprises the banking operations, Ditzo (distribution channel), ASR Vastgoed Ontwikkeling N.V., SOS International and the holding companies. The Banking business develops mortgages and savings-linked and unit-linked products that are administrated and managed by ASR Hypotheken N.V. and ASR Bank N.V.

In this segment, Ditzo operates as a distributor of insurance contracts via the direct online channel. Ditzo's underwriting income is recognized within the Non-Life segment. ASR Vastgoed Ontwikkeling N.V., which is one of the largest retail, residential and area developers in the Netherlands, focuses on developing combined-use residential and retail spaces in complex urban environments.

Financial performance

Operating expenses
In spite of the lower operating expenses in the Banking organization and Ditzo, operating expenses in the Other segment increased from € 119 million in 2011 to € 136 million in 2012. The increase was due to changes in the expense allocation method.

Net result
The net result of the Other segment decreased by € 11 million from € -68 million in 2011 to € -79 million in 2012, despite the one-off release of a prior-year provision for tax purposes of € 90 million. The decrease was mainly attributable to a strong decline in earnings at a.s.r. Vastgoed Ontwikkeling, higher operating expenses and one-off investment income in 2011.

Banking

The savings portfolio in the Banking business increased by more than 20%, reaching € 808 million. Deposits into lijfrente opbouwrekening accounts by customers who converted their unit-linked policies more than outweighed the outflow of regular savings.

New mortgages sold stood at € 1,248 million (2011: € 1,259 million). The WelThuis savings-linked and annuity mortgages proved popular. The Dutch Consumers' Association (Consumentenbond) gave high ratings to the WelThuis mortgage and to Vermogen bij Overlijden, a family income protection policy. At year-end 2012, changes in the tax regime drove higher sales of mortgages; this will manifest itself, in part, in the figures for 2013.

The Mortgage business took a number of steps to increase its efficiency. Not only did it reduce the number of FTE's, but it also opted to implement a single IT system for savings and investments instead of operating two. Although this will require additional efforts early on, the rewards in terms of lowering expenses will be significant in the future.

House prices are likely to continue to drop in 2013, but a.s.r. expects mortgage sales to show a limited increase on 2012 thanks to the WelThuis mortgage products that were introduced earlier and received a warm reception in the market. Despite low interest rates, the savings market will offer opportunities because many customers will be wanting to supplement their pension provisions.

Property development

The property development market was under pressure in 2012. A number of developments were terminated or scaled down in order to reduce risks. Impairment losses on, and reservations for, various land banking plots and future construction projects amounted to € 75 million in total on balance.

For the third year in a row, a.s.r. Vastgoed Ontwikkeling has made strides in its derisking strategy. In dialogue with local authorities and investors, property developments were built in stages and scaled back, and developments that were not in keeping with the new strategic priorities were cancelled. Due to derisking efforts, total assets of a.s.r. Vastgoed Ontwikkeling were reduced by about € 100 million in the year under review to reach € 258 million. While scaling back its exposure, a.s.r. also reduced internal financing by € 165 million. In line with the cutbacks in the portfolio, the organization was downsized as well.

Most of the IJDock development in Amsterdam was completed in 2012: the court buildings and the national police headquarters were delivered, and 90% of the residential properties have been sold; the hotel, the parking garage and most of the offices have been leased. A second important commercial success in 2012 was the preletting (>70%), sale and start of the construction of the city centre development in Waddinxveen.

Owing to the bleak outlook for the residential and retail markets in combination with the scaling down of exposures, a provision was formed for a number of land banking plots and future property developments.

The property development market for homes and retail locations will continue to suffer in 2013. Local authorities and investors will have limited scope for investments and housing associations are abandoning developments as a result of new government policy. In the year ahead, earnings from property development will continue to depend on new developments in the residential and retail markets, which makes them difficult to predict.

Expectations are that, in the future, many property developments will be concentrated in city centres. For this reason, a.s.r. Vastgoed Ontwikkeling will beef up its strategic focus and expertise in the area of complex urban developments, so as to create an edge as soon as the market improves.

2.2 Capital management

Capital policy

a.s.r. is committed to maintaining a robust capital base that forms a solid foundation for achieving corporate targets. This makes the effective execution of the capital policy a core task for risk management and one a.s.r.'s priorities. Capital management comprises all activities that focus on controlling, managing and monitoring any available and required solvency.

The a.s.r. capital policy ensures prudent monitoring and control of its solvency ratios, both at group and divisional level.

The capital position is governed by various rules and limits that were instituted to absorb losses and to guarantee financial robustness. Compliance with the rules is monitored and enforced by regulators as well as via internal management and control models. In doing do, a.s.r. seeks to optimize its capital position within the parameters set by regulators and stakeholders, actively monitor capital risks and meet the agreed limits. One of the priorities in this regard is satisfying the capital requirement that is needed to be awarded an A rating at group level.

The Solvency I rules that are enforced by the regulator form the current regulatory framework. In addition to supervision under Solvency I, a.s.r. is starting to see more and more of the outlines of the rules and regulations of the Solvency II regime. Although the effective date for Solvency II has been delayed, a.s.r. has nevertheless started to implement far-reaching measures to prepare its organization and processes for the Solvency II regime.

The steps taken are described below.

The Solvency II rules dictate a different method for measuring and managing available and required capital. a.s.r. incorporated this method into its management approach, and throughout this process, further refined its practical application. a.s.r. regularly measures and manages its available and required capital under Solvency II; this process is now an integral part of managing the capital position of a.s.r. as a whole.

In addition to capital management under Solvency II, which is the standard model for European insurers, a.s.r. has also developed its own methodology. This methodology quantifies the integral risk in terms of economic capital (ECAP).
The methodology is different from the Solvency II standard model in that it uses self-developed techniques for calculating a limited number of risks. These techniques are a better fit for the specific risks that a.s.r. incurs, and provide a more complete understanding of these risks and the capital that is required to mitigate them. Besides the models mentioned above, this method also forms part of overall capital management.

In addition to the Solvency II requirements, the self-developed ECAP method has now also been cascaded through the organization and integrated into the risk management structure. This system guarantees the transparency of the robust financial position that a.s.r. holds in terms of fair market value.

Treasury is responsible for capital management in the Financial Markets department. As part of capital management procedures, Treasury is accountable to the a.s.r. risk committee structure that was set up for this purpose. This guarantees its independent position and the segregation of duties, and is in keeping with the a.s.r. governance structure.

Capital and solvency

Including the revaluation of real estate, equity was up 18%, rising from € 3,228 million to € 3,809 million. This increase was mainly attributable to the net result and increases in gains on unrealized changes in the value of equities and fixed-income securities.
The fair market value of investment in real estate exceeded its carrying amount by € 874 million, an 11% rise on 2011. Disregarding these changes in value, equity increased by 24% to reach € 2,935 million.

At year-end 2012, the DNB solvency ratio (including the ultimate forward rate or UFR) stood at 293%, which demonstrates that a.s.r. has a stable financial base. In accordance with regulatory requirements, the UFR has been applied since June 2012. Disregarding the UFR, the solvency ratio was virtually stable at 231% (2011: 230%).

Reaching 90 percentage points, the sensitivity of solvency (exclusive of UFR) to the stress scenarios used by a.s.r. increased compared to 2011 (51 percentage points). The sensitivity to fluctuations in share prices grew, due to higher exposures to equities as a result of purchases and price increases. Although some financial bonds were sold, the sensitivity to changes in spreads increased because of a rise in the value of corporate bonds and improvements in the calculation method.
The sensitivity of the solvency ratio (exclusive of UFR) to a 1% drop in interest rates rose, because of a decrease in interest rates and changes in the slope of the yield curve. Inclusive of the UFR, the interest rate sensitivity is the exact opposite. A 1% increase in interest rates suppresses the solvency ratio by 18%.

Effect of market risk on solvency ratio:

Type of market risk	scenario	2012	2012	2011
		inclusive of UFR	exclusive of UFR	exclusive of UFR
Equity risk	-20%	-19%	-19%	-13%
Interest rate risk	+1%/-1%*	-18%	-32%	-7%
Credit risk	0.75%	-25%	-25%	-16%
Property risk	-10%	-15%	-15%	-15%
Total (undiversified)		-77%	-90%	-51%

* For the regulatory solvency ratio including UFR, the interest rate shock +1% has a negative impact.
For the regulatory solvency ratio excluding UFR the effect is adverse, the interest rate shock -1% has a negative impact.

The revised IAS 19 for accounting for employee pensions came into force on 1 January 2013. As a result of this standard, an amount of € 372 million has been added to the provision for employee pensions effective 1 January 2013. As of that date, equity dropped by € 279 million after tax to € 2,656 million. Where a.s.r. is concerned, the revised IAS 19 does not impact the DNB solvency ratio.

Funding

As an insurer, a.s.r. has a relatively limited need for funding. From this perspective and from the viewpoint of risk management, a.s.r. relies on the money and capital markets to a minimal extent. This is in keeping with the prudent policy and financial robustness that a.s.r. pursues.

As access to, and expenses associated with, funding channels can range over time, a.s.r. seeks to create a balanced spectrum of funding options. a.s.r. has currently achieved this by keeping its programms up-to-date both in terms of secured and unsecured financing, so as to ensure access to the money and capital markets, and minimize funding expenses.

a.s.r. has more than adequate scope for meeting its minimal funding requirements where appropriate and with the necessary flexibility.

a.s.r. did not raise any additional external financing in 2012. The available financing facilities had not been drawn at year-end 2012. The relatively limited funding needs, in combination with the option for raising secured financing, result in ample liquid assets for a.s.r. at this time to carry out its operations.

Dividend

The Executive Board plans to distribute € 88 million in dividend on ordinary shares. Similar to last year, this represents 40% of the net result attributable to shareholders.

Ratings

Besides the solvency position, it is also important to thoroughly map out the risks that affect solvency. a.s.r. wants to achieve a capital position that merits an A rating from Standard & Poor's. On 23 August 2012, Standard & Poor's confirmed the A rating of ASR Levensverzekering N.V. and ASR Schadeverzekering N.V. It changed its outlook from negative to stable.

Standard & Poor's ratings	Type	Rating	Outlook	Date
ASR Levensverzekering N.V.	CCR	A	Stable	23 August 2012
ASR Levensverzekering N.V.	FSR	A	Stable	23 August 2012
ASR Schadeverzekering N.V.	CCR	A	Stable	23 August 2012
ASR Schadeverzekering N.V.	FSR	A	Stable	23 August 2012

At the request of a.s.r., Fitch Ratings withdrew its ratings for different a.s.r. divisions on 19 December 2012.

For Standard & Poor's rating, please log on to the a.s.r. website: www.asr.nl.

a.s.r. uses an integrated approach to managing risk. It has robust risk management procedures (i.e. the Integrated Risk Management, or IRM, framework) in place for identifying and managing all risks. This framework provides a.s.r. with information regarding the integrated risk profile and enables it to take and manage risks responsibly. Information on the level of risk and the correlation between risks, allows a.s.r. to accept only those risks that are responsible and come with appropriate returns. In this way, IRM contributes to the financial robustness of a.s.r. and the improvement of its operational performance.

The notes to the financial statements contain a detailed description of risk governance, the risk profile and the related trends in 2012 (see page 81).

Risk management in 2012

In 2012, Standard & Poor's changed its outlook for a.s.r. from negative to stable. a.s.r. mainly has its integrated risk management framework and balance sheet management to thank for this improved rating.

The integrated risk profile for a.s.r. is defined every quarter, after which it is assessed against the chosen risk appetite. The risk appetite has been defined by the a.s.r. Risk Committee, which includes all members of the Executive Board. The risk appetite has been endorsed by the Supervisory Board. This allows the Executive Board to quickly take action when the risk profile is exceeded. The a.s.r. risk appetite describes the accepted level of risk for both financial and non-financial aspects, as well as the priorities that govern the chosen risk appetite pillars. To provide customers with certainty at all times, a.s.r. gives preference to solvency over profit, and to profit over premium.

In keeping with external regulations such as Solvency II, a.s.r. started to focus more intensively on market value in 2012. This is illustrated in a.s.r.'s dynamic investment policy, in which the appetite for market risk is dependent on developments in solvency. The dynamic investment policy is used to adjust market risk so as to secure financial robustness and to benefit where possible from higher returns on more high-risk portfolio investments such as equities, real estate and corporate bonds. The policy to further reduce interest rate risk over the years to come is also based on managing market value.

Another important development is the further organization-wide implementation of the internal control structure, which is referred to as the management in control framework. This framework, which has been developed from an integrated risk management perspective, periodically tests the controls that are in place in the core processes.

An Own Risk and [Solvency] Assessment (ORSA), which forms part of the Solvency II rules, is performed on an annual basis. The ORSA is an integrated risk management instrument that is designed to verify whether a.s.r. can maintain its solvency, even when times are tough. It assesses all material risks, whether they are financial or non-financial. As part of the ORSA, the impact of the risks identified in the Control Risk Self-Assessment (CRSA) on the capital requirement for the coming five years was estimated. The ORSA is also geared towards the future, allowing a.s.r. to take preventative action before imminent risks actually occur. As in 2011, a.s.r. also took part in the ORSA rehearsal of the Dutch Central Bank (DNB) in 2012.

Management of financial risks in 2012

A robust solvency position takes priority over profit, premium income and direct investment income.
The Financial Risk Committee assesses the solvency position and the financial risk profile on a monthly basis. Action is taken where appropriate to ensure that the financial risk profile stays within the parameters that have been defined in the a.s.r. risk appetite.

Similar to 2011, the euro crisis continued to dominate the financial markets in 2012. Exposures to government bonds issued by peripheral countries is virtually non-existent. Exposures to bonds issued by financial institutions were further scaled back. Equity exposures were increased within the parameters of the risk appetite in order to be able to benefit from higher expected returns. Property exposures were stable; despite the economic decline, the value of the a.s.r. portfolio increased on balance in 2012. Owing, in part, to developments in, and uncertainties surrounding, the application of the Ultimate Forward Rate (UFR) under the current regulatory framework and Solvency II, the interest rate risk was reduced at a slower pace. a.s.r. did, however, restructure interest rate hedges by purchasing interest rate swaps and selling swaptions.

a.s.r. uses the ECB AAA curve in the adequacy test provision to measure liabilities in the DNB solvency ratio inclusive of the UFR. This yield curve includes the Netherlands, Germany, France and Austria. If France's rating is downgraded, it will be removed from the AAA ECB curve, so that the curve will drop and solvency will be adversely affected.

Starting from the third quarter of 2012, DNB has dictated the application of the UFR to the yield curve used to discount insurance liabilities, meaning that the yield curve at maturities of more than 20 years gradually approaches a level of 4.2%, which signifies an increase. This represents a considerable boost of the solvency position for a.s.r. For the sake of prudence, the solvency position is also assessed exclusive of the UFR.

a.s.r. periodically assesses whether the technical provisions are sufficient to cover insurance liabilities. These provisions were adequate at year-end 2012. The underlying assumptions for assessing the provision are periodically adjusted to economic and non-economic developments. As a result of the increase in life expectancy, the mortality table used for assessing the provision was updated in 2012. In addition, lapse rates showed an increase as a result of the implementation of the compensation process. The lapse rates used have been adjusted accordingly.

Management of non-financial risks in 2012

The Non-Financial Risk Committee assesses the non-financial risk profile on a quarterly basis. Additional measures are taken where needed to reduce the non-financial risk. Thanks, in part, to the implementation of the management in control framework, non-financial risks were managed better in 2012.

All divisions performed the annual Control Risk Self-Assessment (CRSA) in 2012. The CRSA is a risk identification methodology used to identify risks that pose a threat to the achievement of the strategic targets. A qualitative assessment is also made of the risk and the required risk management actions. a.s.r.'s risk priorities are defined based on the CRSA.

a.s.r. sees the availability, integrity and confidentiality of information as its priorities. A project was launched in 2012 to further increase risk awareness among employees. a.s.r. will keep focusing heavily on information security, given its importance to the organization's continuance of operations.

In addition, a.s.r. further rolled out its internal control structure in 2012. A framework of standards was developed for the entire organization in 2011. Controls were implemented and the effectiveness of most of them was assessed in 2012. Where needed, plans were devised to further increase their effectiveness. Risk Management will keep monitoring the effectiveness of the controls.

Risk priorities for 2013

All divisions perform a CRSA annually. In this process, they identify the risks that pose a threat to the achievement of the corporate targets. Risk priorities for the coming year are set by the Executive Board on the basis of identified risks and other external developments. The progress made on managing the identified risk priorities is reported to the a.s.r. Risk Committee on a quarterly basis.

The risk priorities defined for 2013 are described below.

Changing market

Premium income is under pressure because of the current economic crisis. Consumers are taking a critical look at their insurance package due to the increase in insurance premium tax from 9.7% to 21% and the financial implications of the economic crisis. This pressure on premium income can manifest itself in an increase in non-life policy cancellations, loss of retention in the life business and a drop in sales of new insurance contracts. In addition, the current market is characterized by keen competition and a growing focus on the part of consumers on pricing, which is weighing down margins.

Because of the change in market dynamic, a.s.r. and its employees need to be quick to acquire the necessary new competencies and adopt the required level of flexibility. Any delay in adapting to the changes in requirements can jeopardize a.s.r.'s ability to continue business operations in the long run.

The intermediary distribution channel (including mandates) is suffering because of the commission ban, the popularity of direct channels and the economic situation. As a result, intermediaries might land themselves in financial difficulties as they potentially become unable to meet their payment obligations to a.s.r.

Ongoing uncertainty in financial markets

There are no signs that the unrest in the financial markets is letting up. Some of the main causes of this risk are the European debt crisis, and the current interest rate and investment climate. The solvency and profitability of a.s.r. may come under pressure in 2013. Continuing to manage the impact this has on solvency and return is a top priority.

Risk awareness

Risk management and awareness of information security and other security aspects will continue to be focal points. There is a risk of confidential formation – financial, customer-related or otherwise – being disclosed to third parties, whether intentional or unintentional. This can lead to damage to a.s.r.'s reputation. The level of awareness regarding the importance of dealing with confidential information and employee and customer details, and the protection of corporate property needs to be raised further. In 2012, attention was being devoted to managing risks associated with safety and security, including information security, and raising awareness regarding this issue.

Solvency II

Solvency II is the regulatory framework for European insurers. The effective date of Solvency II was scheduled to be 1 January 2014, but this date was postponed due to delays at European level in 2012. At present, expectations are that the new rules will be introduced in 2015 or 2016. There is a chance, however, of earlier partial introduction of the rules in the Dutch insurance market.

The Solvency II requirements support a.s.r. in its efforts to make further improvements to its risk management procedures. The Solvency II framework rests on three pillars: the first pillar describes how to define the risk profile and the related capital requirements. The second pillar involves supervision and defines the role of the regulator and the requirements with regards to the responsibilities of the insurance company, its Executive Board and its senior management. The third pillar focuses on market discipline and describes disclosure and transparency requirements for the benefit of both the public and the regulator. This public information allows stakeholders to assess the financial stability of an insurance company. Solvency II creates a new set of regulatory requirements and a solvency framework that is based on market-consistent valuation. The solvency requirements will better reflect the risks that insurance companies incur.

a.s.r. has actively worked on implementing the Solvency II requirements since 2009. In 2010, focus was mainly on Pillar 1 activities, shifting more to Pillar 2 activities in 2011. In addition to concentrating on Pillar 2 activities, a.s.r. also started to develop Pillar 3 reports in 2012. a.s.r. performed an ORSA for the third time in 2012. In addition, the quality, reliability and integrity of data have been improved. The effectiveness of the risk management function has increased, creating better compliance with Solvency II.

The potential delay in the effective date of Solvency II offers a.s.r. the opportunity, in the year ahead, to pay extra attention to the quality of source data and reports, and to document that this quality is at the required level.

Part III

Corporate Social Responsibility

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3 Corporate Social Responsibility

The role in society that a.s.r. wants to play as an insurer forms the starting point of our Corporate Social Responsibility (CSR) policy. To a.s.r., this means that what is right in the longer term is preferable to any short-term gains. As an insurer, employer and investor, and for the environment, a.s.r. takes account of sustainability in its business operations where possible.

The principles and objectives of our CSR policy are established through dialogue with all stakeholders. a.s.r. maintains close contact with a broad group of external stakeholders, including customers, intermediaries, suppliers, the shareholder, political parties, public interest organizations, trade bodies and labour unions.

1. Sustainable insuring

The key task of a.s.r. as a sustainable insurer is to offer people certainty in uncertain situations. Financial robustness is an integral part of this and is therefore the number one priority. a.s.r. creates insurance products that meet customers' needs and that have been tested by customers. a.s.r. continually seeks to improve the transparency, simplicity and clarity of its products and services. The a.s.r. core value and various codes of conduct ensure that sustainability is embedded in our attitudes and behaviours.

Customer-focused insuring

The goal is to serve customers well. Customers know right away whether or not services have been designed with their needs and expectations in mind.
a.s.r.:

1. provides easy-to-understand and objective information;
2. responds within the agreed deadlines;
3. uses customer satisfaction surveys to help improve its services; and
4. has a quality assurance policy that centres around customer interests.

The standards of the Customer-Oriented Insurance Quality Mark help a.s.r. to test the level of service provided. In 2011, the Quality Mark was awarded to the Ardanta, De Amersfoortse, Ditzo and Europeesche Verzekeringen labels. The standards were tightened in 2012 and all a.s.r. labels were reassessed against the stricter standards. The outcome of the assessments is expected in the course of 2013.

Customer appreciation rating

The Net Promoter Score is used by a.s.r. to measure customer perceptions of its products and services. a.s.r. has the ambition to lead the field by 2015, measured in terms of its NPS compared to its peers. From 2012 onwards, a.s.r. employees' variable pay has been determined, in part, by improvements in the customer appreciation rating (measured using the NPS).

From winter 2010, when the NPS was -58, the score improved to -44 in winter 2012-2013. The results of the NPS are not yet satisfactory, and action is needed to generate further improvement in the NPS.

Products/processes

Product development at a.s.r. is driven by the needs of customers, and a.s.r. collects information using market surveys and customer panels, among other tools. Making customer information accessible and easy-to-understand is an ongoing process.
It involves using customer panels, the customer information improvement plan, the approval and review process for new and existing products (PARP) and long-term assurance (by style guides and courses in B1/Customer-friendly information).

Five years ago, a.s.r. embarked on its Continual Improvement approach, based on the lean principle. a.s.r. puts Continual Improvement into practice by taking an integrated approach to Processes, Operations Management and Attitude & Conduct. Every day, 80% of a.s.r. teams work in accordance with the Continual Improvement approach. In 2012, the transition was made to Continual Improvement in chains rather than teams, to ensure that improvement initiatives form a better match with customer wishes.

Complaints management

Complaints allow a.s.r. to understand customers and to learn from mistakes. The complaints policy was further refined in 2012. The key objectives behind this policy are that a.s.r. wants to make it easy for customers to file a complaint (there is an easy-to-find link on the website), and that a.s.r. communicates clearly about its vision and how the complaint will be resolved. The complaints handling procedure – including the related deadlines – can be found on www.asr.nl.

a.s.r. learns from complaints: customer feedback is used to solve customers' problems, to structurally improve service and to develop the complaint handling skills of individual employees. This makes it possible to keep repeat complaints to a minimum, for instance.

Purchasing

a.s.r. is committed to the Sustainable Procurement & Business Practices Manifesto. The manifesto is an initiative by 17 large businesses in the Netherlands and is supported by NEVI, the Dutch Association for Purchasing Management (www.nevi.nl/mvi). Since 1 January 2013, a.s.r. has added impact on society to its procurement criteria. This impact could be social, environmental or economic. Sustainable purchasing is more than just applying criteria in the procurement process; it is also about choices made in business operations that translate to the works, supplies or services to be purchased.

The implementation of the Socially Responsible Procurement policy focuses on the following aspects:

1. a.s.r. informs suppliers in advance that environmental and social factors are weighed in the selection process;
2. a.s.r. has adopted a set of environmental and social criteria (these are category-specific); and
3. a.s.r. challenges its suppliers to come up with alternatives that constitute a better match for today's environmental and social criteria.

Moreover, a.s.r. wants to ensure that international human rights are respected throughout the production process of the goods and services that are purchased. These sustainability aspects are assessed in all new contracts and contract renewals.

2. Sustainable employer

At a.s.r., employees are encouraged to develop professionally and to take ownership of their personal development, career path and ambitions. The goal is to create an inspiring and healthy work environment that fosters the talents of employees and allows them to reach their full potential.

The introduction of NWW (New World of Work) is one such initiative to create a pleasant working atmosphere at a.s.r. The most important reason for a.s.r. to introduce NWW was that it gives employees the opportunity for a better work/life balance, thereby boosting their motivation. Moreover, NWW helps to reduce our energy consumption and our carbon emission. By the end of 2012, 80% of employees at the Utrecht office had the tools to work independently of time and place. Around 1,000 employees log onto the network remotely each day.

According to the results of the Engagement Scan that was conducted in February 2012 and was completed by more than 83% of employees, the a.s.r. employee engagement score rose from 80.6% in 2011 to 82.9% in 2012. This is the highest score since 2008.

Leadership

In 2011 a.s.r. initiated an intensive programme of cultural change. The main priority of this programme is that a.s.r. wants to win back the trust of customers as well as its employees. At the heart of this are the core values of being personal, approachable and accountable, and true to who we are.

After all managers had taken a train-the-trainer workshop early in 2012, they entered into a dialogue with their people about embedding the core values in their day-to-day activities. In the second half of 2012, the emphasis shifted to 'helping by taking action'. How does a.s.r. transpose its core values into identifiably better services for customers? All managers followed a course in 'control and flexibility' which taught them to strike the right balance in the activities of their teams, allowing employees to develop their own initiatives and approaches.

Diversity

At a.s.r., diversity is being enhanced in many ways. Employees are encouraged to participate in all manner of business networks in order to broaden their horizons and advance their personal growth.

As a supporter of the 'Talent to the Top' Charter, a.s.r. is committed to appointing women to management positions and keeping them there. This illustrates the value that a.s.r. attaches to a diverse organization. The Executive Board has been active in driving this forward and several initiatives have been taken, including extra places on trainee and management development programmes, an intensive mentoring programme and a special focus on women when filling vacancies for management positions.

The targets that a.s.r. set for 2012 were:
Middle management: 32%. This target was achieved in 2012 by five of the eight divisions.
Senior management: 19%. This target was achieved.

Contrary to the downward trend in the Netherlands as a whole, a.s.r. appointed more women in 2012. The percentage of women in management positions grew in 2012 to 21% (from 14% at the start of 2012). The most recent (2011) biennial survey of the top 500 businesses in the Netherlands conducted by the Netherlands Institute for Social Research (Dutch acronym: SCP) shows that women account for 4.3% of Executive Board members and 9.0% of Supervisory Board members. The percentages of women on the Executive Board and the Supervisory Board at year-end 2012 were 25% and 50%, respectively. These percentages far exceed the national average.

Talent development

2012 was the fourth year in which a number of high-potentials started the Management and Professional Development Programme. This programme has been designed for talented employees who are willing to invest extra time and energy in their career at a.s.r. The programme focuses not only on the career advancement of employees in management positions, but also on the development of professionals. To qualify for the programme, employees need to have at least a college degree and be acknowledged as high potentials by their manager. Spread across a range of modules, programme participants are asked to work on a strategy problem, gain knowledge of change management, write and carry out a project plan, and manage their own development targets. This is how talent advances to the next step in their career. Vacancies that used to be difficult to fill are now regularly filled by programme participants. The programme also encourages cooperation between divisions,

because it brings together people who work in different areas of the organization.
The a.s.r. Talent Development Programme is designed specifically for talented young individuals. The two-year programme delivers a new group of enthusiastic young people every year. The trainees, who are part-time Business Administration students, rotate between a.s.r. divisions in four modules of six months each, taking on a different role in each module. After their traineeship, most of the trainees are offered a management position, or they are asked to join a specialist team.

Sustainable facilities

Employees at a.s.r. are offered a variety of sustainable facilities, such as a company-sponsored gym membership, the Utrecht Bereikbaarpas travel card, 'mobility markets' that offer employees alternatives to car travel, and participation in the Rij2op5 campaign (an initiative of the Dutch Cyclists' Union and employers to encourage employees to use the bike for their daily commute). Furthermore, all employees with a company car are also given an NS Business Card to give them the choice to travel by train. Initiatives in the area of mobility were broadened in 2012 to include a pilot in which employees could try out an electric bicycle for a limited period, free bicycle maintenance and the installation of several charging points for e-bikes in the bicycle parking area at the a.s.r. office in Utrecht.

a.s.r. also supports the Spitsvrij initiative, a partnership between the Utrecht provincial authorities and the Ministry of Infrastructure and Environment, designed to improve traffic flows on roads. Participants in the scheme could earn money by reducing or quitting their peak-time driving on roads in the Utrecht-Hilversum-Amersfoort triangle.

Codes of conduct

a.s.r. has codes of conduct setting out guidelines on how employees are expected to interact with each other and how to approach specific situations. These include an integrity code, insider rules and a whistle-blowing procedure.

a.s.r. also supports the industry's rules of ethics (such as the Code of Conduct for Insurers). Furthermore, there are codes in place relating to various themes, including Client/Customer Due Diligence (know your client before doing business with them), Intermediaries (including an obligation to report suspicions of inappropriate conduct by an intermediary) and Financial Services (including a duty of care and an incentives policy).

3. Sustainable investor

As an institutional investor, one way in which a.s.r. demonstrates its corporate social responsibility is in its use of ethical and sustainability criteria as part of its investment policy.

In asset management, the emphasis is on affirmative action on best practices and best products, based on environmental, social and governance (ESG) criteria. The policy applies to all investments in countries (government bonds) and in businesses (equities and corporate bonds). This implies, for instance, that a.s.r. invests more in businesses that score well on ESG criteria within their sector of industry. a.s.r. also invests in businesses that make a sustainable contribution to society, by processing or recycling their waste, using clean energy and reducing their environmental impact or energy consumption.
a.s.r. also observes strict exclusion criteria for producers of controversial weapons, nuclear energy, pesticides, alcohol, and for the gambling- and sex industry, and businesses engaged in animal testing.

a.s.r. believes in engagement through constructive dialogue with the businesses it invests in, with the aim of increasing shareholder value and social benefit in the long term. If the dialogue does not produce a positive outcome, businesses may be excluded from the investment portfolio, if they have acted contrary to international conventions on human rights and workers' rights. a.s.r. observes criteria, for instance, for the equal treatment of men and women, trade union freedom and the exclusion of child labour. With regard to investments in sovereign debt, a.s.r. excludes countries that have a poor score in the Freedom in the World Annual Report and the Corruption Perceptions Index.

a.s.r. subscribed to the United Nations Principles for Responsible Investment (UNPRI) on 14 October 2011. These principles aim to encourage socially responsible investment. Apart from signing the UNPRI, a.s.r. also abides by the Sustainable Investment Code of the Dutch Association of Insurers, which came into effect on 1 January 2012. The Code stipulates that the investment policies of members of the Association should take account of ESG factors at the entities in which they invest. More than 95% of external asset managers responsible for a.s.r. investments have now also signed the UNPRI. ESG factors are being incorporated into the investment processes of increasing numbers of external asset managers.

a.s.r. also signed the United Nations Global Compact Principles (UNGC) on 30 December 2011. The UNGC asks businesses to embrace, support and implement, within their sphere of influence, a number of principles relating to human rights, labour standards, the environment and the fight against corruption.
These ten principles are based on four international conventions:
1. the Universal Declaration of Human Rights;
2. the International Labour Organization Declaration on Fundamental Principles and Rights at Work;
3. the Rio Declaration on Environment and Development; and
4. the United Nations Convention against Corruption.

In accordance with the Dutch Corporate Governance Code and the a.s.r. Socially Responsible Investment Policy, a voting policy has been developed for a.s.r. to fulfil its role as an institutional investor. Voting accountability offers insight into the exercise of voting rights at shareholder meetings of Dutch associates. The voting policy and voting accountability information can be found on the a.s.r. website.

Throughout 2012, meetings were held with many businesses in which a.s.r. holds shares; this represents almost 50% of the internally managed equities portfolio. In this dialogue (at least one meeting per year at executive level), a.s.r. puts the CSR policy of businesses on the agenda and addresses any controversial activities. The input by a.s.r. is generally welcomed by the management of these companies as being constructive.

As in the previous year, in 2012 a.s.r. achieved third place in the annual survey conducted by the Dutch Association of Investors for Sustainable Development (VBDO) among 30 insurers in the Netherlands. a.s.r. was praised for such aspects as its Corporate Social Responsibility policy, which applies to all managed assets.

Sustainable real estate

a.s.r. Vastgoed Vermogensbeheer, the Property Asset Management business, invests in retail units, residential properties, offices and agricultural land. Sustainability has been firmly embedded in its business processes. A supplier of green energy has been chosen to service the entire property portfolio. Furthermore, all tenants of a.s.r. buildings are encouraged to conserve energy. a.s.r. Vastgoed Vermogensbeheer is also a player in several industry associations to help put sustainability even more clearly on the map.

Tenants' energy consumption for general facilities is measured with a view to raising awareness of energy use and ultimately reducing their consumption. Of the a.s.r. property portfolio, 50% of residential properties have an energy performance rating of C or better, which is 10 percentage points higher than the housing stock in the Netherlands as a whole.

We also maintain our properties in accordance with specified sustainability criteria. One example of this is that the renovation of the a.s.r. building in Utrecht will lead to an "A" rating for energy performance and a "very good" BREEAM rating for sustainability. A system of ground source heating and cooling (Long-Term Energy Storage) will contribute to achieving this. BREEAM (Building Research Establishment Environmental Assessment Method) is a system used to certify sustainable construction.

In 2012, a new development of 69 apartments in Zoetermeer was acquired and, in collaboration with the developer, a "very good" BREEAM sustainability rating was achieved. In the residential property portfolio, efforts also made to cluster maintenance work, to make for more efficient logistics and billing processes. Furthermore, quantification of customer satisfaction will be improved. Since 2011, only FSC-certified timber has been used when the kitchens of rental properties are refitted.

Sustainability is also an important aspect in the property developments of a.s.r. Vastgoed Ontwikkeling. Here, the focus is on the use of sustainable materials, lower environmental impact, a healthy living environment, and good ergonomics. This has been translated into a concrete target to have all retail properties assessed for the BREEAM standards with the aim of achieving a "very good" rating. For residential properties, the goal is to achieve a minimum sustainability score of 7.5 in all a.s.r. Vastgoed Ontwikkeling developments. This score is measured in accordance with the Municipal Practice Guideline for Buildings (Dutch acronym: GPR). Apart from energy efficiency, GPR also addresses environmental impact, health issues in the home and ergonomics.

Since 2009, a.s.r. Vastgoed Ontwikkeling has abided by its Land-for-Land initiative: for every square metre of property that a.s.r. Vastgoed Ontwikkeling develops, it will give one square metre of land to nature. To implement this policy, an agreement was signed in 2012 with Utrechts Landschap, a foundation for the protection of nature and culture. Thanks to this support, Utrechts Landschap has been able to acquire land in the Tuinen van Utrecht area, which will contribute to the creation of a green corridor to the east of the city of Utrecht.

4. Sustainable actor in society (environmental aspects)

a.s.r. wants to minimize the environmental impact of its operations, and so it uses resources, energy and water efficiently. Furthermore, a.s.r. is actively getting to grips with waste management, mobility and carbon emissions, and for this purpose has developed a special environmental management system.

Thanks to a new printing policy, the number of prints has been reduced by two million in the space of two years. This is primarily because employees now have to enter a personal code to retrieve a print job from the printer, thereby ensuring that they use the printer more responsibly. Moreover, employees need special privileges to print in colour, and this has led to a considerable reduction in the number of colour prints.

In 2008, a.s.r. signed the government's third multi-year plan, setting out national agreements between the government and industry on energy savings. This is an expression of a.s.r.'s intention to reduce energy consumption by 30% per FTE by 2020 compared to 2005. Since 2009, all electricity used by a.s.r. has come from sustainable sources. Sustainability considerations also featured in the 2010 decision to renovate the office building at Archimedeslaan 10 in Utrecht rather than opting for a new build.

The building in Utrecht is equipped with a system for Long-Term Energy Storage (Dutch acronym: LTEO), which uses the ground as a source for heating and cooling the building. In the summer, groundwater with a temperature of 10-12 degrees Celsius is pumped up from the 50-metre deep cold source. In the heat exchanger in the building, the air for the cooling system meets the cold water and the air loses its heat to the groundwater, which warms up. In the winter, the process is reversed. This system means a considerable saving on energy costs; it has a long lifespan and a high degree of reliability.

a.s.r. has an active mobility policy that seeks to improve accessibility to the buildings and reduce carbon emissions. One aspect of this is the optimization of the parking facilities. At the Utrecht, Amsterdam and Amersfoort locations, employees are encouraged not to use their cars, especially at peak times. Alternatives include working from home and using video conferencing.

On 6 December 2012, a record number of employees worked from home: simultaneously 2,029 out of a total of just over 4,000. The high number of remote workers was prompted by the severe weather warning that had been issued by the Dutch meteorological institute. On an ordinary business day, an average of 1,000 employees works from home.

5. Commitment to the community

The ambition of a.s.r. Foundation is to encourage employees to become involved in the community and to help them support social initiatives. By enabling employees to come together and actively make a contribution to society, a.s.r. Foundation also strengthens team spirit among employees and their sense of pride in the business.

To garner enthusiasm from as many employees as possible, a.s.r. Foundation offers various options. For instance, the Stimulus Plan provides individual employees with a financial contribution for the active role they play in volunteer work in their community. In 2012, employees used the Stimulus Plan to raise money for their chosen charities, ranging from SOS Children's Villages to the National Play Outdoors Day.

More than 40 teams combined a team-building event with giving back to the community by doing odd jobs for Jeugddorp De Glind, a Dutch town in service of vulnerable children, care farms and other social organizations. In addition, more than 1,000 employees took the opportunity to make a contribution to society by taking part in one of the more than 30 special activities.

For instance, some employees participated in national volunteering day NL.DOET by doing some tidying and sorting work for the Kringloop Utrecht thrift store. Another group accompanied senior citizens on a visit to a performance of the opera Orfeo ed Euridice in the gardens of Soestdijk Palace.
Almost 50 employees helped out with primary school children in the form of a special lesson teaching them about money and making them more financially literate. More than 150 employees took part in a sporting event for charity. Whether running, cycling, ice-skating, boxing or spinning, they raised money for Children's Cancer Fund KiKa, War Child and Kromme Rijnstreek hospice.

At the start of the year, the 'vanmij' party was held for the second time at the a.s.r. building in Utrecht; the event is a party by and for employees that raises money for charity. It includes performances by employees and a charities marketplace. a.s.r. also gave € 10 to each of the more than 2,000 party-goers, which they could donate to the charity of their choice. In total, the performances, marketplace and donations raised € 61,000 for a variety of good causes.

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Part IV

Governance report

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4.1 Governance report

4.1.1 Financial statements and appropriation of profit

The Executive Board submitted the Report of the Executive Board and the financial statements for 2012 to the Supervisory Board. After having discussed the financial statements with KPMG, the independent external auditor, the Supervisory Board approved them in its meeting on 28 March 2013. The financial statements were audited by KPMG, who issued an unqualified auditor's report on them. For the auditor's report, see page 184. The Supervisory Board established that the external auditor was independent from a.s.r.

The Supervisory Board will present the financial statements for adoption to the Annual General Meeting of Shareholders (AGM). The Supervisory Board proposes to adopt the financial statements and to discharge the members of the Executive Board and the Supervisory Board for their management and supervision respectively. For the profit appropriation proposal to the AGM, which the Supervisory Board approved, see page 187 of this report.

Supervision

The Supervisory Board addressed the following issues:

Routine issues

- Financial performance (quarterly, interim and annual results)
- Developments in financial markets and solvency
- Dividend proposal
- Budget
- Risk management and risk appetite
- Market developments and strategy
- Customers interests
- Compliance reports
- Audit reports
- Governance
- Performance targets of identified staff
- Status of compensation process for unit-linked policies

Specific issues

- Distribution, brand portfolio and marketing strategy
- Occupational Disability Insurance business: developments in the market and in the organization
- Non-Life business: product development and developments in combined ratio
- Strategy for Mortgages, Savings and Investments
- Outsourcing of Life activities
- Establishment of Dutch Core Residential Fund
- Division of duties within Executive Board and nomination of new Executive Board member
- Corporate Social Responsibility (CSR)
- Remuneration policy
- Performance of Supervisory Board

Financial results

In its meetings, the Supervisory Board focused heavily on the financial results. An issue that was discussed regularly was the combined ratio. The members of the Supervisory Board feel that this ratio requires further improvement. The Supervisory Board also spoke frequently about developments in costs. Costs need to be cut further and cost patterns should become more flexible as the market is contracting and premium volumes are dropping. With that in mind, the Supervisory Board agrees with the decision to outsource a number of administrative services in the Life business. The members of the Supervisory Board were also glad to see the detailed, step-by-step approach that allows the organization to carry lessons learned in each step forward to the next phase. The necessity of cost cuts is counterbalanced by the need for investments in product development, further service improvements and claims management. Striking a balance between these aspects was a recurring topic of discussion between the Supervisory Board and the Executive Board.

Solvency and risk management
The ongoing turmoil in the European financial markets and its impact on solvency was a recurring agenda item for the Supervisory Board. The Supervisory Board adopted the risk appetite in the first quarter of 2012. In weighing risk and return, solvency is a priority over profit and profit is a priority over premium income.

Solvency levels remain high thanks to the organizations prompt and adequate response to external developments based on the chosen risk appetite and risk-mitigating measures. The members of the Supervisory Board are especially happy about the execution of the risk policy. The a.s.r. investment policy, derived from the risk policy, has centered on further risk reduction in recent years. For instance, the share of more high-risk asset categories in the portfolio, over 80% of which consist of fixed-income securities, has been scaled back. As a result exposures to particularly peripheral eurozone countries and the financial sector was reduced drastically. The interest rate risk was also optimized considerably.

The Supervisory Board explicitly addressed and approved the risk appetite in 2012. This risk appetite also proved to be an important benchmark in 2012 for both tactical and strategic decisions.

The Executive Board decided at year-end 2010, to establish property funds in order to further reduce the risk profile of investment property in the portfolio and to make the investment policy more flexible. The ASR Prime Retail Fund was established and placed in 2011. The Supervisory Board approved the establishment of a second fund, i.e. the ASR Dutch Core Residential Fund, in 2012. The residential properties owned by ASR Nederland Vastgoed Maatschappij N.V. and ASR Levensverzekering N.V. will be transferred to this new fund.

Market developments and strategy
Developments in the financial sector were addressed in virtually every meeting. The consolidation potential in the insurance sector and the possible role of a.s.r. in this regard were talked about at length. In addition, specific topics for discussion were developments in, and the strategy for, mortgages and asset-building. The Supervisory Board endorses the chosen strategy for the Banking business to continue to offer a competitive mortgage proposition and to return to the basics of being a small, efficient savings and investment bank. a.s.r. offers a range of brands for a broad audience. The Executive Board refined the brand and distribution strategy in the fourth quarter of 2012. The refined strategy was discussed with the Supervisory Board. The members of the Supervisory Board are happy about the shift in focus and the effect of the strategy on the marketing of the different brands.

Customer interests and Corporate Social Responsibility (CSR)
The members of the Supervisory Board agree with the Executive Board that the reason for being for a.s.r. lies in a focus on customer interests and a positive customer experience. For this reason, customer interest was an explicit theme in the discussion of various issues in Supervisory Board meetings. Customer interest took centre-stage, for instance, in the debate about unit-linked insurance policies, but it also played a prominent role in deliberations about such issues as dividend, occupational disability insurance premium adjustments and standardization of non-life products and processes.

To monitor the status of improvements in the areas of customer interest and customer experience, the customer information dashboard periodically came up for discussion. Based on this dashboard, the members of the Supervisory Board were kept up-to-date on issues such as the outcome of quality mark surveys and NPS. The members of the Supervisory Board are content about the use of the customer dashboard and see opportunities for refining the dashboard as such that customer interests will come to play an even greater role in the organization's decision-making processes.

Although the members of the Supervisory Board addressed CSR separately, they feel that this issue was somewhat snowed under in the reporting period. The Supervisory Board will devote more attention to CSR in 2013.

Compliance and Audit
The Supervisory Board discussed the reports of Compliance and Audit on a quarterly basis. Reports and findings from reviews by external regulators were also debated extensively. To the satisfaction of the members of the Supervisory Board, the number of problems reported by the two departments decreased in the year under review; existing issues were resolved and there were only a limited number of new problems. The Supervisory Board will persist in stressing the importance of constant management focus and discipline to continue the policy of resolving issues.

Governance
The Dutch Central Bank (DNB) reviewed the design and effectiveness of the governance structure in place at a.s.r. at the end of 2011. The Supervisory Board discussed the outcomes and recommendations of the review with the Executive Board during various meetings. In addition, a dialogue was initiated with DNB to discuss the recommendations and the effects of their implementation. In the design of the governance structure, the members of the Supervisory Board attach great value to balancing the interests of groups of policyholders on the one hand and the possibility to run a.s.r. as an integrated business on the other. One of the decisions taken was to adjust the design of the governance structure of a number of licensed

subsidiaries, as such that a Supervisory Board will be created in the second quarter of 2013 for three insurance companies that were granted dispensation by DNB, i.e. N.V. Amersfoortse Algemene Verzekering Maatschappij, ASR Schadeverzekering N.V. and ASR Levensverzekering N.V.

There was a vacancy on the Executive Board as of 1 January 2012. After the proposal to appoint Michel Verwoest to the Executive Board was discussed in the Selection, Appointment and Remuneration Committee, it was presented to the Supervisory Board. The AGM appointed Michel Verwoest to the Executive Board as of 1 December 2012. Earlier in the year, the Supervisory Board agreed to a change in the division of duties among the members of the Executive Board.

4.1.2 Issues addressed by committees

Audit and Risk Committee

The meetings of the Audit and Risk Committee focused on financial performance every quarter. The Committee discussed the financial results for the full year based on the annual report, the financial statements and the actuary's report. The Committee issued a positive opinion to the Supervisory Board.

The Audit and Risk Committee also addressed other issues, including the audit plans for 2013 of both Internal Audit and those of the independent external auditor. Both plans were approved. The Committee also approved the Compliance Policy Plan and the Risk Management Plan for 2013. Other topics for discussion included the risk management plan and the reports of the independent external auditor; audit and compliance reports were discussed quarterly.

The Audit and Risk Committee debated the risk appetite, which was defined based on a detailed risk assessment, early in 2012; the risk appetite was monitored during the year using the Financial Risk dashboard. The Committee issued a positive opinion on the risk appetite to the Supervisory Board. The a.s.r. risk appetite has been transposed into requirements for capital, liquidity and returns; solvency takes priority over profit and profit takes priority over premium income. Thanks to the fact that the risk appetite and the underlying governance model were defined and adhered to, a.s.r. was able to respond quickly to different developments in the market and take the right action.

The Multi-Year Budget 2013-2017 and the risk priorities for 2013 were discussed at year-end. Ahead of the requirements of Solvency II, the Investment Plan was also addressed at length.

In the Committee's opinion, a.s.r. has a solid financial foundation. Solvency is adequate, both under Solvency I and II, and exposures, e.g. to changes in interest rates, are well under control. Additional cost cuts were implemented and the organization was restructured to keep up with the changes in the insurance market and in the asset-building market in particular. Although the Committee is pleased with the results, it also believes that further steps are required for a.s.r. to maintain its competitive edge going forward. In various market segments, margins are being weighed down by developments in society and increased competition. With this in mind, it is crucial that a.s.r. continues to save on costs, in order to create a sustainable future for a.s.r. in these segments.

Parallel to cost cuts, the Committee endorses the need for improving the operational performance and sets great store by strict discipline in managing and implementing these improvements. A good example is the application of the a.s.r. approach to unit-linked insurance policies, which had major financial and operational impact in 2012. This approach effectively puts customers' interests first by offering them new perspectives.

The Chair of the Committee consistently reported the main issues to the Supervisory Board during the Board's next meeting. Moreover, the Audit and Risk Committee provided the Supervisory Board with written reports of its deliberations, findings and recommendations.

Selection, Appointment and Remuneration Committee

The remuneration policy that was adopted and presented to DNB on 30 March 2011 was beefed up early in 2012 to meet all the relevant requirements. On the Selection, Appointment and Remuneration Committee's recommendation, the Supervisory Board submitted this policy to the shareholder for adoption. In accordance with the adopted policy, the Committee advised the Supervisory Board on such issues as target-setting and the ex-post assessment of the variable pay awarded to identified staff. For this purpose, the Selection, Appointment and Remuneration Committee requested input/advice from the compliance functions.

The Selection, Appointment and Remuneration Committee was closely involved in the selection and appointment process of a new Executive Board member after Roeland van Vledder stepped down on 1 January 2012. In mid-June 2012, the Committee advised the Supervisory Board to nominate Michel Verwoest for appointment to the Executive Board.

The Act on the limitation of liability for DNB and AFM, and the bonus prohibition for state-aided enterprises, was a frequently recurring agenda item for the Selection, Appointment and Remuneration Committee. In accordance with this Act, the members of the Executive Board of a.s.r. are not awarded any variable pay as long as a.s.r. falls under the scope of the Act. To somewhat mitigate the resulting loss of income, the Committee has proposed to utilize the one-off option offered under the Act to award a temporary personal allowance. By setting the allowance at 16% on average, the Selection, Appointment and Remuneration Committee has deliberately kept it well below the permitted 20%; as a result, the remuneration of the members of the Executive Board is well below the market median. The Supervisory Board has agreed to this proposal. The CEO has not been awarded a personal allowance.

At the Selection, Appointment and Remuneration Committee's request, the customer component of variable pay (one of several components) was transposed into concrete key performance indicators (KPIs) for putting customer interest first, using the updated customer dashboard. These KPIs were presented to the Supervisory Board early in 2013, after which they were adopted.

The Chair of the Selection, Appointment and Remuneration Committee consistently reported to the Supervisory Board any topics discussed, and provided the Supervisory Board with written reports of the Committee's deliberations, findings and recommendations.

4.1.3 Management and supervision

Members of the Executive Board and Supervisory Board

Members of the Executive Board

J.P.M. (Jos) Baeten LL.M. (CEO)

Jos Baeten (born 1958) is the Chairman of the Executive Board and Chief Executive Officer (CEO) of a.s.r. His areas of responsibility also include Human Resources, Corporate Communications, Marketing, Business Support, Audit, Integrity and the Corporate Support Departments.

Jos Baeten studied law at Erasmus University Rotterdam and started his career in 1980 when he joined Stad Rotterdam Verzekeringen, one of the pillars supporting a.s.r.; he was appointed CEO of Stad Rotterdam in 1999. He then joined the Board of Directors of Fortis ASR Verzekeringsgroep N.V., becoming Chairman of the Board of De Amersfoortse Verzekeringen in June 2003. In 2005, he was appointed Chairman of the Board of Directors of Fortis ASR Verzekeringsgroep. He has served as the Chairman of the Executive Board and CEO of a.s.r. since January 2009.

Additional positions

Jos Baeten is a member of the Board of the Dutch Association of Insurers and of Holland Financial Centre. He also serves as Chairman of the Supervisory Committee of Gemiva-SVG Groep, an organization providing support to the disabled, and of Stichting Rotterdamse Schouwburg (Rotterdam Theatre). In addition, he sits on the General Administrative Board of the Confederation of Netherlands Industry and Employers (VNO-NCW) and is a member of the Advisory Board of ROC Midden-Nederland vocational college.

K.T.V. (Karin) Bergstein MSc

Karin Bergstein (born 1967) is a member of the Executive Board. Her areas of responsibility are the product lines Non-Life, Life and Banking, and the divisions Intermediary Distribution, Customer Service, Europeesche Verzekeringen and Ardanta.

Karin Bergstein studied medical biology at Utrecht University and earned an MBA from Nyenrode University and the University of Rochester in the United States. She started her career at ING Bank in 1991, where she held various positions until 2010. Her last position was that of Director of Products & Processes, which gained her a seat on the Executive Board of ING Bank Nederland. She previously also served as CEO of ING Car Lease International. Karin Bergstein was appointed to the Executive Board of a.s.r. in September 2011.

Additional positions

Karin Bergstein is a member of the Supervisory Committee of Stichting Sanquin Bloedvoorziening, a blood bank, and a member of the Supervisory Board of 365, formerly ArboNed, a nation-wide occupational health and safety board.

M.H. (Michel) Verwoest, M.A.

Michel Verwoest (born 1968) is a member of the Executive Board. His areas of responsibility are the product lines Pensions, Occupational Disability Insurance and Health Insurance.

He is also responsible for Property Development, Property Asset Management and the support departments ICT and Information & Project Management.

Michel Verwoest studied marketing at TiasNimbas Business School in Tilburg and business administration at IBO Business School, and held several executive positions at ING Group between 1997 and 2012. Within ING, he served as CEO of RVS Insurance and was in charge of the Individual Life business. His last position within ING Group was that of CEO of Nationale Nederlanden Services and director of Nationale Nederlanden Leven. He was appointed to the Executive Board of a.s.r. as of 1 December 2012.

Additional positions

Michel Verwoest is a member of the Advisory Board of Post & Blankestijn, a recruitment and secondment company, and a member of the Board of Stichting Vrienden van de Gelderhorst, a care provider for elderly deaf people.

R.Th. (Roel) Wijmenga, Ph.D. (CFO)

Roel Wijmenga (born 1957) is a member of the Executive Board. His areas of responsibility are Accounting, Reporting & Control (ARC), Financial Markets and Risk Management.

Roel Wijmenga studied econometrics and earned a Ph.D. in economics from Erasmus University Rotterdam. He started his career in insurance at AMEV, one of the legal predecessors of a.s.r., where he held several executive positions until 2003. After having left AMEV, he served as a member of the Executive Board of Interpolis and as CFO/member of the Executive Board of Eureko/Achmea. He was appointed to the Executive Board of a.s.r. early in 2009.

Additional positions

Roel Wijmenga is the Chairman of Stichting Certificering Federatie Financieel Planners, a foundation for the certification of financial planners, and a member of the Board of Stichting DSI, a foundation for the promotion and monitoring of the integrity and reliability of financial services providers and compliance professionals. He also serves on the Financial & Economic Committee of the Dutch Association of Insurers.

Education

With a view to lifelong learning, the members of the Executive Board followed three training sessions in 2012. The sessions were focused on driving on value and the application of the RARORAC, the theory and practice of the Own Solvency and Risk Assessment (ORSA) and the theme of balanced and consistent decision-making. Additionally, the Executive Board members also followed individual training courses with a view to lifelong learning.

Members of the Supervisory Board

C. (Kick) van der Pol, Ph.D.

Chairman of the Supervisory Board
Member of the Selection, Appointment and Remuneration Committee

Kick van der Pol (born 1949) is the Chairman of the Board of Directors of Ortec Finance, Chairman of the Board of the Federation of Dutch Pension Funds and Chairman of the Advisory Board of Syntrus Achmea, a pensions administrator. He is also a member of the DNB Bank Council, a member of the Advisory Board of Nationaal Register, a recruitment organization for supervisory directors, and a member of the Board of the Confederation of Netherlands Industry and Employers (VNO-NCW). In the past, he served as Vice-Chairman of the Executive Board of Eureko/Achmea and as Chairman of the Executive Board of Interpolis.

First appointed on:	15 December 2008
Current term of office:	15 June 2010-15 June 2014

A.P. (Annet) Aris MSc

Chair of the Selection, Appointment and Remuneration Committee

Annet Aris (born 1958) had a 17-year career at McKinsey as a management consultant, nine years of which she served as a partner. She serves as a supervisory director at several Dutch and foreign enterprises, including Finland-based Sanoma Group and Germany-based Kabel Deutschland AG, Jungheinrich AG, Tomorrow Focus AG and Hansa Heemann AG. In addition, she is an adjunct professor of strategy at INSEAD international business school (Fontainebleau, France).

First appointed on: 7 December 2010
Current term of office: 7 December 2010-7 December 2014

C.H. (Cor) van den Bos MSc
Chair of the Audit and Risk Committee

Cor van den Bos (born 1952) was on the Executive Board of SNS Reaal N.V. until August 2008; in this position, he was responsible for all insurance operations. He is the Chairman of the Supervisory Board of CED, a claims-processing manager, and of Noordwijkse Woningstichting, a housing corporation.
He also sits on the Supervisory Boards of investment company Kardan, NIBE-SVV, a knowledge institute and publisher for the Dutch banking, insurance and investment industry, and Trust Hoevelaken.

First appointed on: 15 December 2008
Current term of office: 15 June 2011-15 June 2015

M.A. (Margot) Scheltema MSc
Member of the Audit and Risk Committee

Until 2009, Margot Scheltema (born 1954) served as the CFO of Shell Nederland B.V., prior to which she had held several international management positions at Shell since 1986.
She is a supervisory director of Triodos Bank, Schiphol Group, TNT Express and Lonza Group of Basel, Switzerland. She is also a member of the Supervisory Boards of Rijksmuseum and Energy Centre Netherlands (ECN); she serves as an external member of the Audit Committee of ABP, a pension fund. Margot Scheltema is a deputy member of the Enterprise Division of the Amsterdam Court of Appeal.

First appointed on: 15 December 2008
Current term of office: 15 June 2012-15 June 2016

Composition of the Supervisory Board
The composition of the Supervisory Board is such that each supervisory director should have the skills to assess the main aspects of the overall policy and that the Supervisory Board as a whole meets the profile thanks to a combination of the experience, expertise and independence of the individual supervisory directors. The Supervisory Board has four members. The Supervisory Board is diverse in terms of gender and the professional background of its members. The diversity of its members guarantees the complementary profile of the Supervisory Board.

Composition of committees
The Audit and Risk Committee has two members, namely Cor van den Bos (Chair) and Margot Scheltema. Its meetings are attended by the CFO, the independent external auditor, and the heads of Audit, Risk Management, Integrity, and Accounting, Reporting & Control.

The members of the Selection, Appointment and Remuneration Committee are Annet Aris (Chair) and Kick van der Pol. Its meetings are attended by the CEO (except when issues relating to the Executive Board are being discussed) and the Human Resources Director, who doubles as secretary of the Committee.
The Committee solicits support and advice from departments such as Risk Management, Compliance, Audit and Human Resources. Where needed, the Committee calls in the help of independent legal and pay-and-benefits experts.

Quality assurance of supervisory function

Education and evaluation
With a view to lifelong learning, two sessions were organized for the members of the Supervisory Board. The first session was about driving on value and applying RARORAC while the second took an in-depth look at the theory and practice of the Own Risk and Solvency Assessment (ORSA).

The Supervisory Board performs a self-assessment annually.
At the end of 2011, the Supervisory Board engaged an outside party to assess its performance. The outcome of the assessment was first discussed in the Supervisory Board early in 2012 before being tabled in a meeting between the Supervisory Board and the Executive Board. The overall impression of the Supervisory Board's performance was good; the supervisory directors work well as a team and the relationship with the Executive Board is open and professional. The fact that the Supervisory Board is small makes it easier to respond quickly to developments.
Following up on the outcome of the assessment, the supervisory directors have introduced periodic operational meetings. In these meetings, the supervisory directors make sure that information from the two committees of the Supervisory Board is shared.
In addition, it was agreed that the Supervisory Board would focus even more on the main outlines and that the manner in which issues are discussed would be evaluated regularly with the Executive Board.

In addition to the regular and ad-hoc meetings, the Supervisory Board had two sessions with the Executive Board to discuss the personal development and succession planning of senior managers.

Independence and conflicts of interest

In 2009, Cor van den Bos announced that his role as Chairman of the Supervisory Board of CED might potentially cause a conflict of interest if CED-related issues were to be discussed in the Supervisory Board of a.s.r. This was not the case in 2012.

In November, Margot Scheltema reported her appointment as of 1 January 2013 as a deputy member of the Enterprise Division of the Amsterdam Court of Appeal. There were no reports of potential conflicts of interest involving the other supervisory directors. The Supervisory Board has been able to discharge its duties fully independently.

Contacts with Works Council

A mixed delegation of the Supervisory Board attended four regular consultative meetings with the Works Council. The supervisory directors found the talks with the Works Council to be constructive and would express their appreciation of the receptiveness of all Works Council members, as well as their efforts and commitment.

Contacts with shareholder

With effect from the second half of 2011, the shareholder has been represented by Stichting Administratiekantoor Beheer Financiële Instellingen (NL Financial Investments or NLFI), a trust office. The Supervisory Board was in touch with NLFI several times in 2012.

Contacts with independent external auditor

The independent external auditor attended the meeting in which the Supervisory Board addressed the annual and interim financial results. The independent external auditor was also present at all meetings of the Audit and Risk Committee. The members of the Audit and Risk Committee and the independent external auditor deliberated once without the other permanent delegates to the Audit and Risk Committee meetings being present.

Contacts with compliance officers

The Committee spoke twice with just the heads of Audit, Integrity and Risk Management (i.e. the compliance functions). The Committee also met, and consulted with, the persons in charge of Finance and Risk Management (CFROs) in the product lines.

Procedures

Appointment and re-appointment of executive and supervisory directors

Michel Verwoest was appointed to the Executive Board as of 1 December 2012, so that the vacancy that arose on 1 January 2012 has now been filled. Like the other Executive Board members, Michel Verwoest was appointed for an indefinite term. This deviated from the term of appointment as part of the Corporate Governance Code (For the application of the Corporate Governance Code, see section 4.1.4 and the Governance Statement on www.asr.nl).

There were no changes in the composition of the Supervisory Board in 2012. Margot Scheltema, who was scheduled to retire on 15 June, was re-appointed for another four-year term on that same date. Cor van den Bos and Margot Scheltema were appointed to the Supervisory Board of ASR Bank N.V. as Chairman and a member respectively as of 26 March 2012.

Meetings of Supervisory Board and committees

The Supervisory Board met with the Executive Board twelve times during the year under review. Six meetings were scheduled as regular meetings and six were ad-hoc meetings to discuss specific issues, including the outcome of the assessment of the performance of the Supervisory Board, the findings from DNB's governance review, the distribution strategy and the brand portfolio, and the latest developments in the insurance sector. In addition, many telephone calls were devoted to these latest developments. With one exception, the supervisory directors attended all meetings in the year under review.

In January and May 2012, the Supervisory Board met twice without the Executive Board being present. These meetings covered the remuneration policy for the Executive Board.

Both the Audit and Risk Committee and the Selection, Appointment and Remuneration Committee met seven times in 2012. The Committee members attended every meeting.

Attendance record of supervisory directors (plenary sessions and committee meetings)	Kick van der Pol	Anette Aris	Cor van den Bos	Margot Scheltema
Supervisory Board and Executive Board	12/12	12/12	11/12	12/12
Supervisory Board in the absence of the Executive Board	2/2	2/2	2/2	2/2
Audit and Risk Committee	-	-	7/7	7/7
Selection, Appointment and Remuneration Committee	7/7	7/7	-	-

4.1.4 Corporate governance

General
The Dutch State became the sole shareholder of ASR Nederland N.V. on 3 October 2008. On 29 September 2011, the Dutch State transferred all shares in ASR Nederland N.V. to NLFI in exchange for depositary receipts for the shares.

Partial two-tier regime
ASR Nederland N.V. is a two-tier company subject to the so-called 'partial regime' because the State, in its capacity as a legal person under public law, has provided the entire issued capital for its own account (Section 155a, Book 2 of the Netherlands Civil Code). As a result, the rules for appointing and removing supervisory directors are different from those in effect at companies not subject to the partial two-tier regime. In addition, specific executive decisions mentioned in the law are subject to Supervisory Board approval.

The company has an Executive Board and a Supervisory Board.

Executive Board
The Executive Board is responsible for the day-to-day conduct of business at a.s.r. as a whole, devises the company strategy and formulates policy. To discharge its duties, the Executive Board takes decisions, which are submitted to the Supervisory Board or the AGM for approval where required.

Supervisory Board
The Supervisory Board has every power the law confers upon a Supervisory Board of a two-tier company subject to the partial regime. The Supervisory Board's main duties and responsibilities are supervising the policies pursued by the Executive Board, overseeing the general conduct of affairs at the company and its affiliated entities, and advising the Executive Board.

Articles of Association and rules of procedure
The current Articles of Association and rules of procedure for the Executive Board and the Supervisory Board have been posted on the corporate website: www.asr.nl. ASR Nederland N.V. and the Dutch State signed a covenant earlier that formalizes procedural aspects for information provision and decision-making, and policy and parameters for decisions regarding capital reduction, and interim and year-end dividend distributions, among other provisions.

Rules for appointing and removing executive and supervisory directors
The AGM appoints the members of the Executive Board. After having heard the Supervisory Board, the AGM can suspend or remove a member of the Executive Board. The AGM appoints the members of the Supervisory Board on the recommendation of the Supervisory Board. Both the AGM and the Works Council have the right to nominate supervisory directors. The Supervisory Board duly notifies the AGM and the Works Council of when and why they have the right to nominate a supervisory director, and of the profile required of the nominee.

If the nomination is subject to an enhanced right of recommendation as stipulated in Article 17(7) of the Articles of Association, the Supervisory Board also notifies the AGM and the Works Council of this enhanced right. By virtue of the enhanced right of recommendation, one-third of the members of the Supervisory Board is appointed after having been nominated by the Works Council, unless the Supervisory Board raises objections because it expects the recommended person to be unsuitable for the job of supervisory director or because the Supervisory Board will not be properly balanced in terms of its composition if the Works Council's candidate is appointed. The enhanced right of recommendation applied to the appointment of one of the members of the Supervisory Board.

Members of the Supervisory Board can be removed only by the Enterprise Section of the Amsterdam Court of Appeal if they neglect their duties, for other compelling reasons or because of a drastic change in circumstances. In addition, the AGM may oust the full Supervisory Board by adopting a motion of no confidence, resulting in the immediate removal of all supervisory directors. Finally, the Supervisory Board may also suspend an individual supervisory director.

Dutch Corporate Governance Code
Although ASR Nederland N.V. is under no obligation to do so, it endeavors to comply with the Dutch Corporate Governance Code as much as possible. The Code does not apply to ASR Nederland N.V. because its shares or the depositary receipts for its shares have not been admitted to an official listing on a stock exchange or similar platform.

For an overview of how ASR Nederland N.V. applies the Code, please visit the corporate website (www.asr.nl) to view the Corporate Governance Statement.

Governance Principles for Insurers and Dutch Banking Code
Banks licensed in the Netherlands have been subject to the Dutch Banking Code since 1 January 2010. This Code, which was drafted by the Dutch Banking Association, contains principles for governance and governance oversight, risk management, audits and remuneration policy. Similar principles have been in force for all licensed insurers with effect from 1 January 2011.
They have been formalized in the Governance Principles for Insurers, or the Dutch Insurance Code, which applies to all licensed insurers within ASR Nederland N.V.; the Dutch Banking Code applies to ASR Bank N.V.

ASR Nederland N.V. sees much of its mission, vision and core values reflected in the principles of the Dutch Insurance Code and the Dutch Banking Code, and therefore fully endorses these two Codes. By seeking to achieve its mission, vision and core values, ASR Nederland N.V. wants to contribute to improving the workings of the Dutch financial sector and help restore trust in the financial sector, never losing sight of customer interests.

To find out what measures ASR Nederland N.V. has taken to comply with the Dutch Insurance Code, please log on to the corporate website: www.asr.nl.

Details on how ASR Bank N.V. applies the Dutch Banking Code can be found in its Annual Report that has been posted online on www.asr.nl.

Professional oath

The members of the Executive Board, the Supervisory Board and all a.s.r. directors took the professional oath early in 2013. By taking this oath, they promised to treat customers fairly, act with integrity and observe all relevant laws, rules and regulations, and codes of conduct so as to help increase confidence in the financial sector. With effect from 1 January 2013, all decision-makers working in the financial sector have been under the obligation to take this oath in accordance with the Dutch Oath or Affirmation (Financial Sector) Regulation.

4.1.5 Final word from the Supervisory Board

The members of the Supervisory Board are pleased about the steps that a.s.r. took in 2012 to preserve its robust financial base and to make the organization more cost-efficient and customer-oriented. They would like to express their gratitude for the efforts put in by the members of the Executive Board and the openness that they showed in their discussions with the Supervisory Board. The Supervisory Board also much appreciates the expertise and energy that the employees displayed once again in 2012, particularly in a period in which the organization underwent drastic changes and many colleagues were let go.

The members of the Supervisory Board are confident that both the Executive Board and the employees will continue to apply themselves in 2013 to putting customer interests first, every single day, to allow a.s.r. to grow into a socially desirable insurer.

Utrecht, the Netherlands, 28 March 2013

The Supervisory Board
Kick van der Pol Ph.D.
Annet Aris MSc
Cor van den Bos MSc
Margot Scheltema MSc

4.2 Remuneration policy

The remuneration policy is designed to help achieve the a.s.r. strategy and business targets. The principles of the policy are preservation and further improvement of the financial robustness of a.s.r., focus on sustainable, long-term value creation for customers and other stakeholders, management of risks and a transparent policy whose structure and methodology is applicable to a.s.r. as a whole. This policy should allow a.s.r. to attract and retain qualified people.

Governance

The Supervisory Board is responsible for implementing and evaluating the remuneration policy governing the members of the Executive Board as adopted by the AGM. The Supervisory Board adopts the policy for remunerating senior managers. The Executive Board is responsible for adopting, implementing and evaluating the remuneration policy governing all other employees. The Supervisory Board assesses the principles of the remuneration policy for other employees.

Based on the provisions of CRD III, which are enshrined in the Dutch Restrained Remuneration Policy (Financial Supervision) Regulation, a.s.r. has defined a group of identified staff. The remuneration policy governing identified staff is subject to the approval of the Supervisory Board, which also monitors the Executive Board's implementation of this policy. Identified staff is taken to include the members of the Executive Board, senior management and two employees in higher management positions.

Remuneration groups

In its remuneration policy, a.s.r. distinguishes between five groups, as follows:
1. Executive Board
2. Senior management
3. Higher management
4. Back office
5. Front office

Groups 4 and 5 are governed by the industry-wide collective bargaining agreement (CBA) for back office positions and for front office positions in the insurance sector respectively, and by the CBAs concluded by a.s.r. itself, i.e.:
- CBA selection system for contract hours and pay-and-benefits package
- CBA job classification and pay structure for back office positions
- CBA job classification and pay structure for front office positions

Features of the remuneration system

The foundation of the remuneration system is the principle that the average level of total pay should be below the median of that of the peer group.

With effect from 2012, all remuneration groups, except for the Executive Board, have been awarded basic and variable pay. For this purpose, the remuneration paid to back office and front office staff had a built-in profit-sharing mechanism. Considering that such a pay component can lead to inappropriate behavior (favouring premium income over customer interests), this system was abolished in 2011 and replaced by a system that links the variable pay component to the achievement of individual targets, financial group targets and group-wide customer targets.

Basic pay

The basic pay awarded to the members of the Executive Board comprises a fixed amount per month, including holiday allowance, which is not increased other than by indexing in accordance with the CBA.

The basic pay awarded to employees comprises their fixed gross monthly pay, plus 8% holiday allowance and an end-of-year bonus. The level of the basic pay is determined by the weight of an employee's position and the related remuneration group. Any increases in basic pay are linked to the appraisal of how employees perform their duties in general and their compliance with the a.s.r. core values of being personal, approachable and accountable, and true to whom we are. The basic pay is indexed in accordance with the CBA for the insurance industry.

Variable pay

Of the variable pay component, one-third is determined by an employee's score on individual targets in a calendar year. The remaining two-thirds are determined by the financial performance of a.s.r. measured in terms of financial results and customer appreciation. At the beginning of every calendar year, employees and their managers agree on individual targets that need to be achieved during that year. These targets need to reflect a clear focus on improving a.s.r.'s customer appreciation rating. The targets to be achieved in terms of financial results and customer appreciation are adopted annually by the Executive Board and the Supervisory Board. These targets are discussed with, and explained to, the Works Council before they are adopted. Variable pay is a percentage of basic annual pay.

Target group	On target	Maximum
Executive Board	0%	0%
Senior management	45%	60%
Higher management	20%	40%
Back office	9%	18%
Front office	9%	18%

Executive Board

In accordance with the Act on the limitation of liability for DNB and AFM, and the bonus prohibition for state-aided enterprises, the members of the Executive Board of a.s.r. are not awarded any variable pay as long as a.s.r. falls under the scope of this Act. To somewhat mitigate the resulting loss of income, the Selection, Appointment and Remuneration Committee has proposed to utilize the one-off option offered under the Act to award a temporary personal allowance. By setting the allowance at 16% on average, the Selection, Appointment and Remuneration Committee has deliberately kept it well below the permitted 20%; as a result, the remuneration of the members of the Executive Board is well below the market median. The Supervisory Board has agreed to this proposal. The CEO has not been awarded a personal allowance.

Identified staff

Identified staff are conditionally awarded a material share (i.e. 50%) of their variable pay in the form of cash and non-cash instruments. The conditional variable pay is deferred for three years; a reappraisal is performed at the end of the three-year period, after which the cash part is paid out. The non-cash part is retained for another two years. Some of the unconditional variable pay is paid out in cash right away. The non-cash part of the unconditional variable pay is also retained for two years.

This group is also governed by a claw-back mechanism and a fairness clause, meaning that the Supervisory Board can claw back any variable pay already awarded if it was determined and awarded based on incorrect information. In addition, the Supervisory Board has the right to adjust the level of the conditional variable pay if, unchanged, the payment goes against the principles of reasonableness and fairness.

Target-related pay for front office staff

In addition to a basic and variable pay component, front office staff are also awarded target-related pay, which is determined by their individual score on quantitative and qualitative targets. The employee and their manager agree on these targets annually and in the following year it is determined whether these targets have been achieved. The target-related pay is a percentage of the annual basic pay awarded to the employee. Depending on the job description, the target-related pay for a performance 'on target' will amount to 20%, 24% or 30% of the basic pay. The maximum level is 40%, 48% or 60%.

Pension plan

The principal features of the pension plan are as follows:
- Indexed average-pay scheme (indexing became unconditional as of 1 January 2013)
- Retirement age: 65
- Partner's pension: 70% of projected old-age pension
- Orphan's pension: 14% of projected old-age pension
- Employee contribution: 6% of pensionable earnings

Pre-pension allowance

All employees who joined a.s.r. on or after 1 January 2006 will be awarded an allowance under the Dutch Early Retirement, Pension and Life-course Savings Act (Dutch acronym: VPL), under which the standard retirement age was set at 65 as of 1 January 2006. The allowance was originally designed to offer employees the option of saving up for early retirement. Newly hired employees are awarded a 1% allowance on their pensionable income.

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Part V

Executive Board Responsibility Statement

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5 Executive Board Responsibility Statement

The consolidated and company financial statements for 2012 of ASR Nederland N.V., as well as Part I, II and III of the Annual Report, have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and with Part 9, Book 2 of the Netherlands Civil Code.

The Executive Board declares that, to the best of its knowledge:
1. the financial statements give a true and fair view of the assets, liabilities, financial position and earnings;
2. the financial report does not contain any material misstatements and the risk management and control systems functioned properly in the year under review;
3. the Annual Report gives a true and fair view of the situation at the balance sheet date and developments during the year under review; and
4. the Annual Report describes the principal risks that the company faces.

Utrecht, the Netherlands, 28 March 2013

The Executive Board
Jos Baeten LL.M.
Karin Bergstein MSc
Michel Verwoest M.A.
Roel Wijmenga Ph.D.